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## June poll likely as Fanfani resigns

By James Burton in Rome

SIG AMINTORE FANFANI, the Italian Prime Minister, was last night handed his resignation to President Sandro Pertini, paving the way for general elections on June 26.

The Christian Democrat Prime Minister, whose fifth administration has lasted only five months, resigned at the end of the formal debate on his government in the Senate. He was not expected to wait for a vote, which could raise political tensions. When the debate opened on Thursday, Sig. Fanfani outlined the achievements of his government and though regretful that the desire of the Socialists and other parties for general elections has brought the administration to a premature close, was careful not to attack those responsible.

By thus keeping on good terms with the parties which make up the government, Sig. Fanfani has strengthened his claim for his government to continue in a caretaker capacity until after the elections. President Pertini is expected to make only a brief round of consultations, before signing in the next few days the decree dissolving Parliament a year ahead of its natural term. The parties now seem to be agreed on June 26 as general election day. Regional and local elections are already scheduled to be held on that day.

## 15 bombs set off in France by Corsicans

By David Marsh in Paris

A WAVE of bomb attacks by Corsican extremists hit Paris and three other French towns early yesterday morning, adding to the unease caused by economic austerity and a week of farmers' and students' demonstrations. The bombings—15 in all—caused no casualties but damaged property.

The traditional May Day trade union marches tomorrow are certain to provide another focus for discontent over Government belt-tightening.

Responsibility for the attacks was claimed by the Corsican separatist movement FLNC, which the Government outlawed in January. The organisation has been responsible for a series of bombings on the island since an uneasy truce with the Socialists broke down last August.

The police, which have mounted a big crackdown against terrorism in Corsica since last summer, responded quickly. Twelve people from Corsican nationalist circles were being held yesterday.

The French government held a cabinet meeting yesterday to put the finishing touches to the austerity programme. In Paris several thousand protesting students assembled again on the Left Bank.

## PEKING HIGHLIGHTS 'IMBALANCE IN PRODUCTION'

# China admits trouble over targets

BY MARK BAKER IN PEKING

CHINA admitted yesterday that it was having trouble harnessing the national economy to its new economic objectives after it reported a 9 per cent increase in production in 1982.

A senior official said there was a "too drastic" increase in construction investment, many enterprises were inefficient, heavy industry was using too many resources, and light industries were not developing fast enough to cope with consumer demand.

In a 37-page statement on economic results for 1982, China's State Statistical Bureau reported substantial increases in agricultural and industrial production, an improved trade position and steady increases in personal incomes.

But in a remarkably frank

assessment, the bureau highlighted what it described as serious imbalances in production, investment and efficiency. Xu Gang, Deputy Director of the bureau, listed four key problems:

● "Over-extended and excessive" investment in capital construction causing dispersion of resources and materials shortages;

● Many projects listed under the state plan squeezed out by competition from other projects for materials;

● Many enterprises showing poor results, increasing production but only inefficiently, returning poor profits and ignoring production requirements;

● Imbalances between heavy and light industry and a general failure of industry to meet the

increased demand created by rises in consumer spending power.

The frank assessments are surprising considering China's past tendency to gild the statistical lily and produce incomplete or imprecise economic reports.

Xu said heavy industry was still "eating up energy and raw materials" that should be going to light industry. "In light industry itself, there is a need to improve variety, quality and efficiency and to meet market demands," he said.

The bureau reported that the output value of industry, agriculture, the building trade, transport and communications enterprises had risen 9 per cent to \$494.7bn (\$330bn) from 1981.

Agricultural output rose 11 per cent to \$139.3bn, due largely to favourable seasons.

Industrial production increased by 7.7 per cent to \$273.3bn topping the planned annual growth target of 4 per cent. Per capita productivity had risen 2.3 per cent over 1981 for state-owned enterprises.

But the bureau's report described the industrial results as "relatively poor." There had been a 3.5 per cent decline in turnover of profits and taxes for each \$50 of industrial output value, some enterprises had suffered losses totalling \$2.2bn and there was increased warehouse over-stocking.

"Many enterprises continued to put one-sided emphasis on output value while neglecting economic results," the report said.

In trade, the bureau said exports had risen 12.7 per cent to \$20.7bn while imports declined 2.7 per cent to \$27.9bn.

## Pope urges amnesty for Polish detainees

BY CHRISTOPHER BOBINSKI IN WARSAW

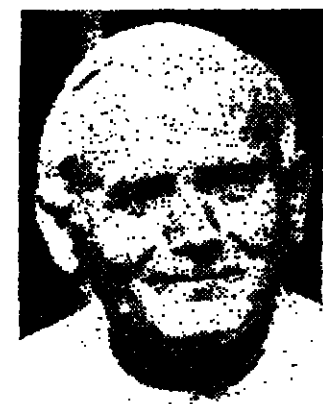
POPE John Paul has asked the Polish authorities to free all political prisoners before his visit in June, according to church officials.

The Pope's appeal reinforces the line taken by Polish bishops who have consistently called on the Government to declare an amnesty for those sentenced under martial law, which was suspended in December, and comes as church-State relations show signs of strain.

Last Sunday Cardinal Jozef Glemp, the Polish primate, repeated the church would continue to push for an amnesty and the reinstatement of those who have lost their jobs.

Meanwhile, the authorities have begun to move against members of Mr Lech Walesa's household before tomorrow's May Day demonstrations called by leaders of the underground Solidarity trade union organisation as a challenge to official marches.

The authorities are planning to prevent Solidarity activists



Pope John Paul ... amnesty plea

from gathering and have threatened to deal "decisively" with any marches which take place. Mr Kazimierz Barcikowski, who is in charge of relations with the church, has asked that

Poland's Communist Party has lost the political will to press ahead with decentralising economic reforms approved by the party's Congress in the summer of 1981, according to Mr Zdzislaw Malicki, a parliamentary deputy.

In a report in the latest issue of the economic weekly Zycie Gospodarcze, he said, "a small group of deputies, defenders of the reforms," had failed to prevent a return to more centralised "manual steering" of the economy, implicit in the Government plan presented to Parliament.

services be postponed until later in the day, presumably to prevent demonstrators from congregating in church buildings.

Church authorities, however, have rejected the request because it runs counter to "the church's mission."

In a message to his supporters, Mr Zbigniew Sujak, the underground solidarity leader in Warsaw has said "May Day was to have been the day when totalitarianism triumphed over the democratic aspirations of our nation."

"But today we know that neither the riot police nor the secret police can terrorise us."

In Gdansk, the police have detained Mr Walesa's secretary, Mrs Bozena Rybicka, and her husband, Mr Maciej Grzywaczewski.

They were released after a few hours but the authorities also detained Mr Walesa's bodyguard. His driver was also questioned. Now that Mr Walesa has his job back at the Lenin Shipyard it is likely the authorities will attempt to break up the group of sympathisers who have been aiding the Walesa household over the past few months in a bid to isolate the Solidarity leader.

## Bonn concern at Honecker's cancelled visit

BY JONATHAN CARR IN BONN

THE West German Government has reacted with astonishment and concern to the decision by Herr Erich Honecker, the East German President, to cancel a visit to Bonn planned for later this year.

Most spokesmen for the Centre-Right coalition in Bonn yesterday warned against over-dramatising Herr Honecker's action, and said the dialogue between the two German states must continue.

Herr Franz-Josef Strauss the Bavarian leader—who has repeatedly taken a tougher line on East-West German relations, retorted that it was a good thing that Herr Honecker was not coming in present circumstances.

Perhaps Bonn should not have maintained the invitation to the East German leader, Herr Strauss said.

The cancellation of Herr Honecker's visit, announced late on Thursday, follows the deaths in separate incidents—this month of two West German

MR ALEXEI DUNOV, the Soviet chief of the Soviet Novosti news agency in Bonn, was yesterday asked by the Swiss Justice Ministry to leave the country in 10 days, writes Anthony McDermott in Geneva. He was not accused specifically, of spying, although the official statement clearly implied the KGB was involved.

In a 700-word statement, the Justice Ministry said Novosti had been using its office as "a centre for disaffection, subversion and agitation." The statement is believed to be a reference to

travellers who were being questioned for alleged misconduct by East German authorities.

The evidence available to Bonn suggests that the West German were not physically handled. But many newspapers here—as well as Herr Strauss's Bavarian party—have com-

plained that travellers are regularly submitted by the East German to severe psychological pressure, liable to cause heart attacks.

Referring to these reports, the East Berlin announcement said Herr Honecker would not follow up the invitation to him "because of what the Federal

Republic has done to relations between the two German states and how this has been expressed in press commentaries."

In a terse announcement, Chancellor Helmut Kohl's spokesman described this explanation as "incomprehensible" because East Germany knew very well that press freedom existed in the West.

But behind the scenes, officials have expressed surprise and disappointment that events have taken this turn.

It is pointed out that Herr Kohl personally asked Herr Honecker for a full explanation of the initial incident involving a West German traveller, and that the East German leader saw to it this was supplied.

He also stressed by officials in Bonn that the new West German Government, which came to power last October and was confirmed in the March election, is just as interested as its predecessor in improving relations with East Germany.

## U.S. pleads for patience over budget deficit cut

BY DAVID MARSH IN PARIS

THE U.S. Government, in two days of economic talks with European leaders in Paris, pleaded with its European partners for patience over its efforts to bring down the U.S. budget deficit—seen internationally as the main factor putting upward pressure on interest rates.

During deliberations of the economic policy committee of the Organisation for Economic Co-operation and Development, participants voiced generally greater optimism about world economic recovery.

Growth in the 24-nation OECD is now forecast at close to 2 per cent for this year, against the prediction of 1.5 per cent made at the end of last

year, and there are signs the recovery will pick up steam in 1984.

Delegates still voiced disquiet over the strength of U.S. interest rates.

The U.S. view—put by Mr Martin Feldstein, President Reagan's chief economic adviser, who chaired the meeting—is that Washington is taking steps to reduce the budget deficit. But he admits that necessary tax increases cannot be enacted until 1985 because 1984 is an election year.

Apart from the U.S., economic recovery is proceeding faster than expected this year in the UK and West Germany—all countries with low inflation rates.

The officials complained that until now Washington had not played a positive part in the withdrawal negotiations, but had given the Lebanese the impression the U.S. could pressure Israel into making concessions.

Earlier it was announced that an Israeli soldier was

deadlock in Israel's four month negotiations with Lebanon over troop withdrawals.

The two officials, who insisted they should not be named, spoke of a concerted attempt by the Kremlin and Damascus to torpedo the peace process and intimidate the Lebanese.

Asked to back up their charges of Soviet and Syrian complicity in the Embassy bombings and assassinations, they said there was "very soundly based conjecture."

The officials complained that until now Washington had not played a positive part in the withdrawal negotiations, but had given the Lebanese the impression the U.S. could pressure Israel into making concessions.

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## Argentine junta says missing thousands died in open combat

BY JIMMY BURNS IN MONTEVIDEO

ARGENTINA'S military Government has announced that thousands of people who went missing following the 1976 coup are now dead and that the bulk of the victims were left-wing guerrillas killed in open combat by the armed forces.

The announcement, made by a military official in a special nationwide broadcast on Thursday night, drew immediate protests from local human rights organisations.

They claim that there were never more than 1,200 Argentines actively engaged in guerrilla warfare and that many individuals went missing simply on account of their political views.

International organisations like Amnesty, the United Nations, and the Organisation of American States estimate that as many as 30,000 "disappeared."

Their reports, based on eyewitness accounts, claim that most victims were kidnapped from their homes and summarily executed after torture in special military camps.

The Government's announcement recognised that "some excesses had been committed but that in any war there were 'innocent victims'."

The Government, speaking on behalf of the armed forces, said

those dead had been killed by officers on active duty and under orders from the junta.

This information reinforces the military's refusal to accept the trial of individual officers by civilian courts as urged by relatives of victims and political parties.

The "Mothers of May"—a human rights organisation representing relatives of the missing—described the announcement as "an attempt to escape justice and to ensure the impunity of those responsible for the horror and tragedy which had occurred."

James Burton in Rome adds: Reacting to the Argentine statement, the Italian Foreign Ministry said it was "amazed" the junta should try to dispose of the issue in such a dismissive and insensitive way. The Ministry has been pressing Buenos Aires for information on the fate of 45 Italians, 241 people of dual Argentine and Italian nationality and a further 221 people of Italian origin who have disappeared in Argentina.

Mr Cranley-Onslow, Britain's Minister of State for Foreign Affairs, arrived in Uruguay yesterday as part of a week-long tour aimed at strengthening Britain's ties with "friendly" South American countries in the wake of the Falklands war.

## Evren sets date for Turkish elections

GENERAL ELECTIONS will be held in Turkey on November 6, Gen Kenan Evren, the country's president, announced yesterday, David Tonge reports from Istanbul.

The general, who led a military coup in September 1980, told a crowd in the eastern Turkish town of Erzurum that the elections meant "a new era starts that will prove power rests with the people unconditionally."

## Drug-combat team

The Irish Government has established a fire-arm specialist team to combat drug abuse, after figures released by Ireland's Medicines-Social Research Board showed that heroin usage in parts of Dublin is as bad as in the worst areas of New York. Brendan Keenan reports from Dublin. A survey in one of the city's most deprived areas showed that one in 10 of those under 24 was using the drug.

## Chernenko back

A giant portrait of Mr Konstantin Chernenko, who has missed three major Communist gatherings this month, went up in Moscow yesterday, apparently ending speculation that he had been dropped from the ruling Politburo. AP reports. Portraits of Politburo members traditionally are displayed for May Day celebrations.

## Tank claim dismissed

Claims by Dutch Army technicians that West German-built Leopard tanks, including the Leopard II, were unreliable and their weapons inaccurate have been dismissed by a Defence Ministry working group in The Hague, Walter Ellis reports from Amsterdam.

## Dutch funds outflow

Mr Herman Rudijs, the Dutch Finance Minister, has admitted that there was a substantial outflow of undeclared funds from the Netherlands in 1982. Walter Ellis reports. But he could not confirm an alleged growth in the traffic this year and said that it was too early to talk of a "capital flight."

## Greek growth seen

Greece can expect a resumption of modest economic growth from the second half of this year, provided the anticipated revival of the international economy actually takes place, Mr Gherassimos Arsenis said yesterday. Victor Walker reports from Athens. Mr Arsenis was presenting his annual report as governor of the Bank of Greece.

## Brunei denies threat

Brunei has denied threatening to end its production agreement with the Anglo-Dutch company Royal Dutch Shell unless Britain keeps its Gurkha troops in the Sultanate after independence at the end of the year, Reuter reports.

## Madagascar aid

International aid donors, including the World Bank, have agreed to provide SDR 30m (\$34m) in emergency balance of payments support to Madagascar, after a first meeting of the country's 20-strong consultative group in Paris, Quentin Peel writes.

## Doctors join strike

Doctors in the Ivory Coast came out on strike yesterday, joining secondary school and university teachers in their demands for continued free housing. Peter Blackburn reports from Abidjan. President Houphouët Boigny has ordered the teachers back to work, and warned that otherwise they will be prosecuted.

## Harare judge acts

A judge yesterday ordered police to produce six officials of opposition leader Joshua Nkomo's Zapu party who were detained two hours after a High Court judge acquitted them of capital charges. Reuter reports from Harare.

## Congress set to challenge Reagan again on Nicaragua

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

PRESIDENT Ronald Reagan yesterday faced a new Congressional challenge over his controversial Central American policies—two days after his nationwide appeal for bipartisan support on Wednesday night.

Democratic leaders in the House of Representatives claimed to have sufficient committee votes to bring a Bill to the House floor that could cut off funds for Central Intelligence Agency covert operations in support of the 3,000 or so right-wing guerrillas fighting the left-wing Sandinista Government of Nicaragua.

The bill would give the CIA 45 days to "extricate itself" from the operation, and replace covert action with an "overt" funds of \$30m in the current budget year, and \$50m in fiscal 1984, which begins on October 1.

The Administration has reportedly been secretly spending \$20m annually for the past two years to train and arm the guerrillas.

The new fund would help U.S.-backed governments, such as that of El Salvador, to combat cross-border gun-running to left-wing guerrillas, ending the current CIA-supported raids into Nicaraguan territory from neighbouring Honduras.

The 14-member House Select Committee on Intelligence

yesterday postponed a vote on the proposed legislation until next week, to allow its Republican members time to offer amendments.

Meanwhile, in El Salvador, President Alvaro Magaña predicted that within three years his country would be able to stand on its own feet, without U.S. economic or military support.

"With sufficient military aid, we would now be finished with this war," he said in an interview.

His statement was interpreted in Washington as trying to reassure Congress that it will not be dragging the U.S. into an unending commitment to the Salvadoran Government by approving the \$110m in urgent military aid, for which Mr Reagan is currently struggling to obtain authorisation.

Tim Conne reports from Managua: Tens of thousands of Nicaraguans registered a vocal but peaceful protest in Managua yesterday at the headline position on the country taken by President Reagan in his address in the U.S. House and Senate on Wednesday.

An estimated 50,000 people, including trade unionists, farm workers, militia members and soldiers, thronged a plaza in the centre of the city, many of them bearing rifles or machetes.

## Peru to receive \$450m from creditor banks

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

PERU has secured commitments from its creditor banks covering the full \$450m it is seeking from them in the form of new money this year. Mr Brian Jensen, its central bank president said yesterday.

Speaking from Washington, Mr Jensen said that this puts Peru well on the way to completing its external financing needs for this year. The International Monetary Fund is scheduled to approve an SDR 250m (\$270m) drawing by Peru at its executive board meeting on May 30 and the commercial bank loan package, while reports from Rio de Janeiro.

The accord follows the decision by the Brazilian central bank three weeks ago to block payment on \$152m worth of credit due to Wells Fargo, acting as agent for a consortium of 24 international banks from Japan, Western Europe, the U.S. and Latin America.

seeking some \$300m from the World Bank, Inter-American Development Bank and U.S. Government to cover damage to crops, transport facilities and economic infrastructure caused by severe bad weather in the first quarter, including floods in the north of the country and drought in the south.

Petrobras, the Brazilian state oil company, has reached agreement in principle with Wells Fargo Bank on the rolling over for 180 days of bankers' acceptance facilities totalling between \$241m and \$268m, Andrew Whitely reports from Rio de Janeiro.

The accord follows the decision by the Brazilian central bank three weeks ago to block payment on \$152m worth of credit due to Wells Fargo, acting as agent for a consortium of 24 international banks from Japan, Western Europe, the U.S. and Latin America.

## Israel seeks to shift blame onto Moscow

BY OUR TEL AVIV CORRESPONDENT

MR GEORGE SHULTZ, U.S. Secretary of State, yesterday got down to substantive negotiations on the withdrawal of foreign forces from Lebanon, but Israel again tried to shift the focus of his peace mission to Soviet meddling in the Middle East.

While Mr Shultz talked with Mr Menachem Begin, the Prime Minister, Israeli officials summoned correspondents to a briefing at which two defence officials alleged that there was some reason to link Moscow and Syria to the bombing of the U.S. Embassy in Beirut and the earlier assassinations of Lebanon's President-elect Bashir Gemayel and the Palestinian moderate leader Issam Sartawi.

It was the latest move in an Israeli campaign apparently designed to highlight the Soviet-Syrian threat to the region rather than the near-

deadlock in Israel's four month negotiations with Lebanon over troop withdrawals.

The two officials, who insisted they should not be named, spoke of a concerted attempt by the Kremlin and Damascus to torpedo the peace process and intimidate the Lebanese.

Asked to back up their charges of Soviet and Syrian complicity in the Embassy bombings and assassinations, they said there was "very soundly based conjecture."

The officials complained that until now Washington had not played a positive part in the withdrawal negotiations, but had given the Lebanese the impression the U.S. could pressure Israel into making concessions.

Earlier it was announced that an Israeli soldier was

killed and three wounded by a land mine in South Lebanon. The continuing casualties have led to calls, backed by several ministers, for a unilateral Israeli pull-back in Lebanon if the Shultz mission fails.

Mr Shultz, who had held exploratory talks in Jerusalem and Beirut, stayed for four hours with Mr Begin and his ministers. He told reporters some progress had been made.

The topics included the major point of disagreement: the future role of the Israeli-backed South Lebanese militia of Major Saad Haddad.

Israeli officials said new ideas had surfaced on the future of United Nations peace-keeping troops in South Lebanon. These will be examined in detail next week.

Agreement was not reached on any of the issues raised, they

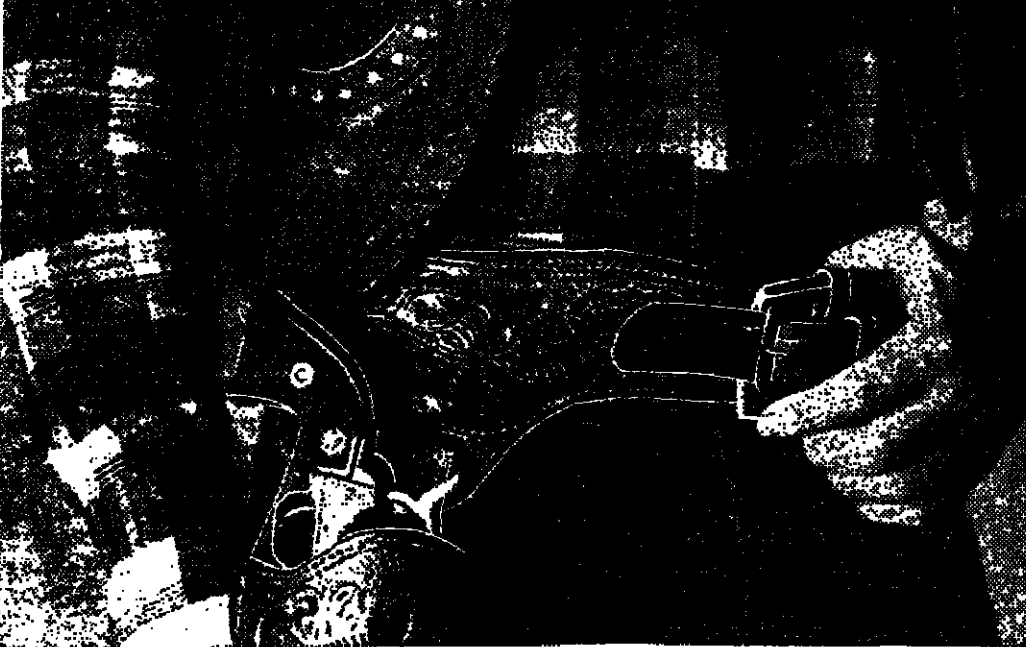
said, but unlike some foreign leaders Mr Shultz has succeeded in establishing a constructive working rapport with Mr Begin. The Secretary of State returns to Beirut today. He will be back in Jerusalem for more talks on Sunday in what all sides predict could develop into a shuttle diplomacy marathon.

AP adds from Beirut: Three people were wounded in overnight artillery and rocket-fuelled clashes between Christian and Druze militia forces in the Israeli-occupied hills overlooking Beirut, police said yesterday.

The clashes erupted less than an hour after Mr Shultz wound up a brief visit to the city.

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27, Avenue Marnier  
Registered shareholders will receive their dividend by cheque from the company.  
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## Poll shows Tories ahead in Cardiff

BY PETER RIDDLE, POLITICAL EDITOR

THE CONSERVATIVES are clear favourites to win the Cardiff North-west by-election by a big majority with the SDP-Liberal Alliance in third place, according to an opinion poll published yesterday.

The survey and other evidence will further fuel speculation about an early General Election, although a poll of Tory backbench MPs shows that only one-third favour June.

Mrs Thatcher has not made up her mind but ministers and senior backbenchers believe the speculation of the last three weeks in practice has narrowed her options, as well as exposing her to charges of weakness and dithering. So there is therefore considerable pressure for an early statement.

MPs increasingly expect that the election will be in June and some ministers have already altered their timetables in anticipation.

The Conservative Party yesterday announced that it would be running a major newspaper advertising campaign before the local elections next

Thursday following the launch yesterday of a large-scale campaign by Labour.

A survey of 800 voters in Cardiff North-west, conducted by ORC on behalf of Independent Television News on Wednesday and Thursday, gives the Conservatives 48 per cent, Labour 28 per cent and the SDP-Liberal Alliance 19 per cent. David Cymru is given 7 per cent. This indicates that the Tory share of the vote has fallen by 3 percentage points compared with the 1979 General Election while the Labour share is down by 7 percentage points. The by-election will probably be held on June 9 unless a General Election is called before then.

The ITN-ORC poll suggests that the Alliance candidate could pick up during the campaign a majority of voters who say they might consider changing their mind would shift to the Alliance.

The survey follows a NOP poll in yesterday's Birmingham Post which gave the Tories 46.5 per cent, Labour 28.5 per cent and the Alliance 20.5 per cent.

However, a survey of Tory MPs' views conducted by the Week in Politics programme on Channel 4, going out tonight shows that only one-third (68) of the backbenchers favour June. A similar number (63) want to wait until the autumn while a further 29 believe the Prime Minister should wait until next year and the remaining 35 express no preference.

Not surprisingly, nearly half of the Tory MPs defending marginal seats favour June as do more than two-thirds of the so-called "wet" critics of the Government strategy compared with only 28 per cent of the so-called "drys".

The pre-election campaigning rhetoric was in full flood yesterday with strong attacks on the Government by Labour.

Mr Eric Heffer, the Shadow spokesman on European affairs, accused the Government of producing a lengthening list of authoritarian proposals. He compared present Tory views to those of Bismarck at the end of the 19th century. Similarly, Labour MP Mr Michael Meacher

accused the Government of being engaged "on a class war with a persistence and ruthlessness unparalleled in recent British history."

Dr David Owen for the Alliance promised a shake-up of the government system. He said that an Alliance government would introduce proportional representation in local elections while also substituting local income tax for domestic rates.

Mr Denis Healey, the deputy Labour leader, yesterday accused Mr Campbell Fraser, president of the CBI, of "crawling" before the Prime Minister at last week's CBI dinner.

"The top establishment is now pulling out all the stops to help her win a cut-and-run general election, before the storm breaks," Mr Healey told the Wales TUC's annual conference in Cardiff.

Mr Fraser had offered Mrs Thatcher his "humble gratitude for the £7m loss his company, Dunslop, suffered last year."

## Aitken says TV-am secure 'for years'

By Raymond Snoddy

THE LONG-TERM financial future of TV-am, the morning commercial television company, is secure, even at the present level of audience figures. This was asserted yesterday by Mr Timothy Aitken, the company's chief executive.

"Long-term" meant security for years rather than months, he said, adding that he hoped the present number of viewers — 200,000 — would improve.

The rival BBC breakfast-time programme is attractive 1.5m people. The £20m budget for this year would be trimmed by £5m, Mr Aitken said. This would be effected through cuts in overtime, which had cost £200,000 so far, more flexible shift work and "minimal" redundancies. Mr Aitken would not put a number to the redundancies but the figure is believed to be about six out of the 350 on the staff.

Mr Aitken confirmed that Barclay's Bank had related the company's overdraft facility of £3m and all TV-am's institutional shareholders would honour in full their financial commitments to the company.

Also yesterday, Mr Michael Parkinson, who presents TV-am's weekend programmes, joined the board. Mr Hilary Lawson, a senior executive, left the company.

Asked whether Mr Peter Jay, the former chairman, was still with TV-am, Mr Aitken said: "I believe he is president of this company."

TV-am said last night that Mr Aitken had managed, in the past two weeks, to restore battered morale at the company's studios at Camden Lock, London. The staff had given him a round of applause after he addressed them yesterday.

At his news conference Mr Aitken issued a joke. "One chap here bought a T87 car on his overtime pay. He can't do that any more but he's still in the company—anyone that creative is worth keeping."

Mr Aitken said that the number of people working on the development of ICL office system equipment had grown from 50 to 400 in the past 18 months. Parallel production was under way in the UK and the US.

The company also added a new product to its office range yesterday—a document storage system which acts as a central file able to store up to 30,000 pages of A4 text.

The advertising campaign, with the theme "we should be talking to each other," coincides with the phased introduction of a new corporate identity, complete with logo and beige and brown livery for ICL products.

Mr Wilmot, in a review of ICL operations since the reorganisation began in 1981, said that the company had kept its head down for the past year and concentrated on implementation of strategy.

"The vital issue is a new ICL, pointing in a consistent new direction with the right strategy. It is ready to address the convergence of data, voice, text and graphics—aided significantly by our adoption and active participation in the creation of international standards," Mr Wilmot said.

The company's most important collaboration—with Fujitsu of Japan—had allowed ICL to intercept the best mainframe chip technology, while shifting development investment to distributed office systems, he added.

The company had been successful in the retail, financial and health sectors, and, if anything, too successful in local government, Mr Wilmot said. An uncomfortable backlog of orders is building up.

## British Telecom ventures into office automation products

BY RAYMOND SNODDY

BRITISH TELECOM Merlin launched its first office automation products yesterday in the attempted first stage of a BT push into a growing market.

A personal computer, word processor, communicating VDU terminal and printers went on sale under the Merlin brand name in London this week, and will be introduced nationally later in the year.

Sir George Jefferson, chairman of BT, said: "We see this as our initial entry into the office automation market. We don't regard it as other than a threshold."

He made clear that other Merlin products were already pending. The new "liberated" BT would look seriously at any significant growth markets "appropriate to our business."

In this competitive environment it could expect to lose market share to competition in some sectors, but to expand into others.

"We think that 'fair do's' all round," Sir George said. Merlin was set up last year to bring together BT business products, services and new ventures. It operates as a separate profit centre, part of BT Enterprises.

Previous Merlin products have included call-connect systems, electronic telex terminals and modern telephone-connecting products.

The office automation products are based on ICL equipment. They are designed, BT says, for the user who has not yet taken the plunge into information technology.

"They are intended for the average manager, the border-line case," Mr Geoffrey Forsell, head of business computing systems in Merlin marketing, said.

The main new Merlin product is a small business computer priced at £2,270. Apart from five megabyte memory, the computer gives access to private and public data bases at the

touch of a button, and can be used to receive messages using computer-based message services such as Telecom Gold.

When linked to a telex terminal it becomes a telex terminal. "There is also a button mark 'Help,'" Mr Forsell says, "designed to be tolerant of mistakes and 'guess' what users really intended."

Mr Gordon Pocock, chief executive of Merlin, said the intention was to sell the office automation equipment where there was complete service back-up.

The first systems were set this week at the Merlin centre in Ealing, West London. Another would open in Leeds, July, and a third later this year in Birmingham.

"We are putting service very high on our list of priorities. We will only sell where we have the proper support set up," Mr Pocock said.

About 300 people would be employed by next March.

## ICL to spend £2.5m on advertising push

BY RAYMOND SNODDY

ICL, the largest British-owned computer company, yesterday announced a £2.5m national advertising campaign to promote its distributed office systems. The campaign will be extended to main international markets this year.

Mr Robb Wilmot, managing director of ICL, said yesterday that several hundred distributed office systems had been installed by ICL in local area networks.

"Now we have shaken out the early bugs in the system, we are ready for our major push," Mr Wilmot said. It was part of ICL's plans to "become big in small systems." The company is best known for its mainframe computers.

Mr Wilmot said that the number of people working on the development of ICL office system equipment had grown from 50 to 400 in the past 18 months. Parallel production was under way in the UK and the US.

The company also added a new product to its office range yesterday—a document storage system which acts as a central file able to store up to 30,000 pages of A4 text.

The advertising campaign, with the theme "we should be talking to each other," coincides with the phased introduction of a new corporate identity, complete with logo and beige and brown livery for ICL products.

Mr Wilmot, in a review of ICL operations since the reorganisation began in 1981, said that the company had kept its head down for the past year and concentrated on implementation of strategy.

"The vital issue is a new ICL, pointing in a consistent new direction with the right strategy. It is ready to address the convergence of data, voice, text and graphics—aided significantly by our adoption and active participation in the creation of international standards," Mr Wilmot said.

The company's most important collaboration—with Fujitsu of Japan—had allowed ICL to intercept the best mainframe chip technology, while shifting development investment to distributed office systems, he added.

## Stiff penalties for video pirates pass third reading

BY IVOR OWEN

VIDEO PIRATES responsible for the large-scale manufacture of illicit copies of films will soon face unlimited fines and up to two years' imprisonment. These penalties are embodied in the Copyright (Amendment) Bill, a private member's measure sponsored by Sir John Eades (Con, Bournemouth West), which received an unopposed third reading in the Commons yesterday.

The Bill, which now goes to the House of Lords, will also impose magistrates' courts to impose heavy fines on retailers offering pirated films for hire or sale.

Mr Beckett said that Mr Harker's appointment did not represent an attempt to appoint a retailing supremo to run Woolworth.

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Mr Harker is expected to be appointed managing director of a number of stores.

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paid at the next renewal by its 800,000 motorists will vary from nothing to 7 per cent.

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They could be made to pay £1,000 for every illicit cassette found on their premises—a figure likely to be increased to £2,000 later this year following a review of the maximum limits applying to fines by magistrates' courts.

Mr Iain Spate, Under Secretary for Trade, highlighted the sharply increased penalties—the present maximum fine for a first offence is £50—as a clear sign of the Government's determination to defeat the pirates depriving the British film industry of an estimated £120m a year.

Another aviation syndicate—number 244—also has losses. Each of that syndicate's members who accepted £10,000 worth of insurance business faces losses of £2,768 in one underwriting account, and £2,519 another.

A marine syndicate—number 985—including sports stars Vinnie Woods and Mark Cox—facing losses of £4.6m. Individual members of the syndicate who accepted £10,000 of business stand to lose about £20,000.

● Lloyd's has reached a settlement with Mr Frederick Sass who headed a syndicate which faced £21m of losses, the most serious losses ever faced by a syndicate in the market history. Mr Sass has been pursuing legal action against Lloyd and two insurance brokers, subsidiaries of Brentnall Bear (Holdings) for the last three years.

● Lloyd's announced the inquiry team which will be probing the irregularities which arose on an extended warranty insurance scheme for electrical goods. Mr Cyril Newman QC and Mr F. Thewell, of the City of London, Morwick, Mitchell, the accountants, are to conduct the probe.

panies to use returnable bottles on nuclear power, few environmentalists expect to do better on Sizewell B than they did on Windscale.

Against that, however, there have also been successes. Road building policy has become more sensitive and the 1981 Wildlife and Countryside Act, for all its alleged shortcomings was an undoubted step forward.

It is possible to argue, in fact that the vast and ramshackle army of British enthusiasts has been more effective in practice in protecting the environment than the more directly political movements elsewhere in Europe.

The significance of Des Wilson's appearance in the green vanguard is not that it means the movement will now be welded into a coherent political voice, but the reverse. Mr Wilson is a campaigner, probably the most effective in the British business, and he will seize on single issues with that sense of timing and the true market's lack of fear for over-simplification which has been a major

disarmament, for example, is a cause supported by many of the newer-style ecological groups, but not automatically by your average birdwatcher or rambler. Likewise, the fact that Mr Wilson wants green supporters to unite around proportional representation ignores the fact that the many of them who do support nuclear disarmament see little support for the Labour Party, which is devoutly opposed to proportional representation, as their best hope.

Nor are pressures like these relevant only in theory. The Conservation Society, which was formed in 1968 and whose reports came printed upon Arnegadon recycled paper, split down the middle two years ago over nuclear weapons and, following the resignation of several leaders, was then obliged to rescind its unilateralist position.

It is also a fact that the environmental groups have lost as many battles as they have won. Twelve years after achieving prominence by dumping 1,500 disposable bottles on the doorstep of Schweppes, Friends of the Earth is still trying to

global conservation and an economy which, without growth, will create socially useful jobs and guarantee everyone a basic income through a form of negative income tax.

The political self-contradiction of the left caused by years of centred SPD government, the German neutrality and disarmament question, the country's affluence and its tradition of confrontational mass movements all played a part.

So Mr Wilson was no doubt wise when he told this week's rally that now is not the time to start trying to form a green party, although to say so was less than tactful in the presence of Mr Jonathan Porritt, whose Ecology Party has for some months been styling itself the British green party.

The Ecology Party, founded in 1973, has yet to prove its effectiveness, however, having built its national membership to almost 7,000 at the time of the 1979 General Election, when it fielded 53 candidates who won 1.6 per cent of the vote in the seats contested. Since then, membership has slid to below 4,000.

At the next election, the party hopes to put up more than 100 candidates, whose main platform will be anti-nuclear issues, underpinned by the

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## Fight imports, tool makers told

BY PETER BRUCE

yesterday to close ranks and co-operate with each other to combat a steady rise in imports into the decreasing home market.

Mr Noel Williams, president of the Federation of British Hand Tool Manufacturers and marketing director of Stanley Tools, told the federation's annual meeting in Torquay that imports were the greatest single threat to the industry, which produces a wide range of non-power tools.

UK producers should be prepared to break tradition and sell to each other, especially so that smaller manufacturers were not forced to look abroad to increase their range of products.

The proposal would involve adopting a continental practice by which large-scale manufacturers with a wide range of products have been able to increase production runs of particular tools by selling any excess to smaller competitors to market under their own names.

Mr Williams said: "Our previous unwillingness to trade between ourselves may have had advantages in the past but it is now a liability. I therefore ask each one of you to be prepared to supply other UK manufacturers at competitive prices. If you don't do this, imports will substitute for your own production."

Although imports in 1982 rose by 12.2 per cent over 1981 to a record £80.3m, the total UK market fell to £171.1m from £178.1m in 1981. UK manufacturers managed to broadly sustain exports, worth £106.5m last year compared with £107.6m in 1981. Last year's exports accounted for 57 per cent of production, up from 52.4 per cent a year before.

Increasing import competition came chiefly from the U.S., where the British rose from £12.9m in 1981 to £16.9m last year. West Germany (£15.1m to £18.6m) and Taiwan (£4.5m to £5.6m). Japanese imports slipped from £11.8m in 1981 to £8.4m last year.

Britain's biggest hand tool export markets last year included Ireland, West Germany, the U.S., Nigeria, South Africa and France, each of which took between 5.2 and 7.1 per cent of sales abroad.

The federation said total sales by UK manufacturers, were £187.7m last year, a fall of 8.5 per cent at current prices and 14.1 per cent in real terms. However, Britain remains a net exporter of hand tools despite a shift in the balance of trade from a surplus of £27.3m in 1981 to £16.7m last year.

Mr Williams said the hand tool market in the UK was now only 60 per cent of its size in 1979, a "horrendous" drop. Nevertheless, he had been encouraged that UK manufacturers appeared to have readied themselves for economic recovery. Prices had become more competitive, supported by professionally-planned marketing.

The federation, which represents more than 100 producers, would press the Government to counteract dumping, counterfeiting and to establish appropriate quality standards and country of origin marking.

able regional variations. In the Midlands the commission has found almost enough places to meet requirements, while Scotland and London show far less cause for optimism.

The search for places in Wales, there is no national agreement on financing the further education element. London shows the poorest response in the commission's survey of places—29,300 have been approved and a further 18,900 potential places identified, making 57.5 per cent of the probable requirements.

Mr Harker, 37, has been employed by Asda for 17 years, rising through store and area management, buying and marketing directorships to his present position.

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controls on pesticides and support for proportional representation, so that smaller parties such as, perhaps, a British green party, might win seats in Parliament.

Before that, an enthusiastic audience whose average age at a guess was between 30 and 35 had lapped up Naderisms as if the 1980s had never said goodbye.

Mr Nader told how he had "toilet-trained" General Motors and Joked, in the earnest way he does joke, that he had thought of entangling his paper on the subject of multinational companies, *Enemies of the Earth*, in counterpoint to Mr Wilson's organisation. "But I don't want to engage in understatement," he snarled.

His idea is that Britain needs a cadre of citizens' groups in every town, operating outside the political party structure, to monitor corporate and governmental evil-doing. Just like his own Nader's Raiders, as they used to call them in a Washington. It is tempting, especially for businessmen, to dismiss all this as a sideshow, staffed by over-the-hill enthusiasts locked into concerns which, for the most

## Ian Hargreaves on a campaign to make ecology an election issue

misers struck in the late 1980s and whose remnants have been obliterated by the hard times that followed.

This argument contains more than a grain of truth, but it also ignores some evidence. Parity this is a question of sheer numbers. Britain now has, according to Philip







## MARKETS-2

## FINANCE AND THE FAMILY

## Bonds look bullish

GRIM news from America. The cover story on the latest issue of "Business Week" is entitled "The rebirth of equities." Nothing so bad about that, you might say—except that it was this same excellent magazine which ran a celebrated article at the bottom of the market in 1979 lamenting the death of the equity.

Did anyone hear a bell ringing out there? If so, no-one is paying much attention. The market has continued its upward climb this week, trading volume has been heavy, and on Tuesday the Dow Jones Industrial Average closed above 1200 for the first time.

Many of those trigger happy fund managers who had been waiting on the sidelines for the famous correction have now jumped into the market with both feet. It probably would not be all that surprising if Wall Street was now to be embarrassed again by falling back a little.

However there has been an extreme element behind this week's bullishness, which is that the bond market has at last been showing signs of renewed confidence. The tangible evidence of this is rather flimsy at present. Although the yield on long term bonds edged

from the price cuts, to the extent that they are no longer having to pay way above the market price for their crude supplies.

This week brought results from all four of these companies. Exxon, Mobil, Standard Oil of California and Texaco, and by and large they were a pleasant surprise. Exxon and Standard Oil both reported improved profits, and Mobil would have been marginally ahead too, but for an accounting change. Although Texaco's earnings were down, they still prompted at least one analyst to increase his forecast for this year's outcome. Most of these shares have moved up sharply in the past few days, and they are probably selling at somewhere between 8½ and 8¾ this year's likely earnings.

per cent, but analysts decided that most of the growth had come from new stores, and that existing units were being squeezed by increasing competition.

In particular, Burger King, a subsidiary of Pillsbury, is saying the roughest thing these days about Big Mac's offerings. Whatever the explanation, the shares have fallen by almost a tenth during the past week, and sell on an historic price earnings ratio of just over 13.

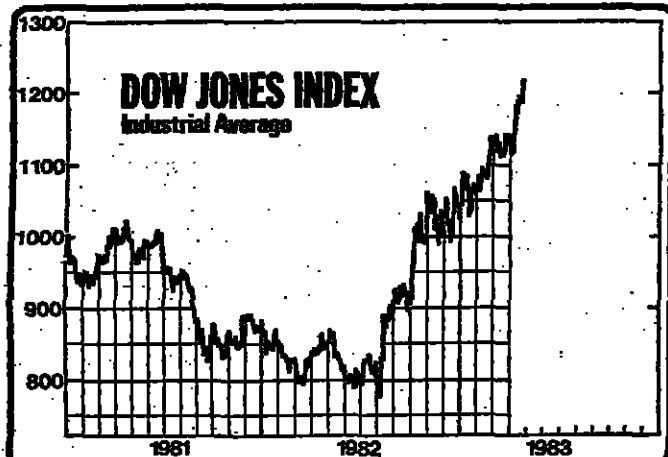
The volatility of the market as a whole can be seen in the recent performance of that favourite speculative play, International Harvester. Its shares spun ahead in the early part of the week, before being socked back by an unkind article in yesterday's Wall Street Journal.

At the top, the company was being valued at around \$450m—not bad, considering that it has no net worth to speak of, and is still bathing in red ink.

However not all the company results published this week have been cheering. There have been a lot more red numbers from the airlines, for instance, with the 11 major carriers that have reported 50 far showing combined operating losses of roughly \$320m, up from about \$48m in the same period of 1982. One that stood out like a sore thumb was Delta, a company with a record second to none in the airline industry. But one which has been running through quite a turbulent patch over the past year.

Delta's net loss for the quarter more than doubled to \$30m, and the company blamed "almost suicidal" fare wars for the setback. This competition has turned a 21 per cent rise in passenger volume into a gain of under 3 per cent in passenger revenues. The group says that things had started to look up again this month, but the shares still stand well below their recent highs.

MONDAY	1187.21	- 9.09
TUESDAY	1209.46	+22.25
WEDNESDAY	1208.40	- 1.06
THURSDAY	1219.52	+11.12



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The Managers reserve the right to close the offer if the current price falls by more than 25% from the first price and Units will be allocated thereafter at the current price.  
During the offer period, Units will be allocated on a first-come, first-served basis. Only Accumulation Units, which carry no dividend, are available. A wider range of investment opportunities is available by the Department of Trade. The price and the income can go down as well as up. An initial charge of 8% is included in the price. A monthly fee of 0.1% is levied on the income. The manager has authority to charge up to 10% + VAT on giving three months notice in writing to unit holders to close the fund. The fund is managed by Lawson, Australian and Pacific Fund Managers Ltd, 40 Charlotte St, Edinburgh EH2 4AL. Tel 01-225 9971. Directors: C.F. Lawson, B.Sc., C.A., J.G. Wilson, W.S., R.M.S. Wilson, C.A., S.C. Lawson, Accountants, Solicitors, Chartered Accountants, Chartered Accountants, Chartered Accountants.

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Tel 031-225 6001.

I enclose a cheque payable to Lawson Fund Managers Ltd for the investment in Lawson Australian and Pacific Fund.  
Signature: (Mandatory) (Date):  
Forwards in full:  
Address: AP4 FT 30/4

**2% Discount, Until 11.5.83**  
By way of introduction, bonus by the fund managers for investment of £2,000 and over.

**MINIMUM INVESTMENT £900**  
Accumulation Units only.

**£ AUSTRALIAN AND PACIFIC FUND £**

## Indexation of CGT

I find some difficulty to understand the method and arithmetic used to arrive at the tax due when indexation is applied to the assessment of CGT in the reply published on March 26 under Indexation of CGT.

Would you please detail the calculation and the tax due on the following example presently in my family, a widow born January 26 1920 with no other gains in tax year 1982-83?

A property bought for £2,000 on August 6 1953, sold on January 26 1983 for £28,555 net of expenses, making a gain of £26,555.

What is the percentage by which this gain is reduced having regard to the RPIs and the property values at April 6 1965 and January 26 1983? Here are the figures:

Sale proceeds (contract 26.1.83)	£	28,555
Cost (contract 6.8.53)	£	2,000
Indexation allowance at 4%	£	80
Less:		
6.8.53 to 6.4.65 ie 4.361		10,480
6.8.53 to 26.1.83 ie 10.765		15,995
Chargeable gain		15,995

For it to be worthwhile elect-

ing for the house to be deemed to have been bought on April 6 1965 (under paragraph 12 of schedule 5 to the Capital Gains Tax Act 1979) the owner would have to be sure that the District Valuer would agree (after she had irrevocably elected) that its value on that day, with a sitting tenant (presumably), was more than £12,078:

Sale proceeds	£	28,555
April 6 1965 value	£	12,078
Indexation allowance at 4%	£	484
Chargeable gain	£	15,995

1982-83 CGT payable by December 1 @ 30% on £10,995 (£15,995 minus £5,000 exempt in 1982-83) = £3,298.50.

### Shares in lieu of dividends

A number of the Jersey-based currency funds are prepared to issue shares in lieu of normal dividends. Would the position be that there would be no income tax liability but a charge to capital gains tax if the shares were sold?

Yes, under the practice adopted by the Inland Revenue from May 19 1971 (mentioned, for

example, in article C2.203 of Simon's Taxes), subject to the possibility of attack under section 478 of the Income and Corporation Taxes Act 1970. Nothing in the Finance Bill (as published on March 30) affects this point.

### Age relief and tax recovery

I look after the finances of my 63-year-old mother-in-law, who has the State Pension, Building Society share accounts and NSB Investment account. I try to arrange the relative amounts in these accounts so that she has an income from pension and N.S.B. just less than the age allowance, and therefore avoids income tax, except that built into the building society dividends.

For the 1979-79 and 1979-80 tax years this was achieved, but due to a legacy, the non-indexing of allowances for one year and some delay on my part, she was correctly assessed for and paid tax of £268.20 for 1981-82, based on the 1980-81 income, and £204.90 for 1982-83 based on the 1981-82 income. The actual income for 1982-83 was within the age allowance. Therefore, it appears to me that, if she closes her N.S.B. account on April 1 1983, holds the money in a Building

Society, then reopens the N.S.B. account on April 30 1983, 1982-83 will count as last tax year for this source and should be taxed on current year basis and £204.90 be recoverable. This all appears too simple, is there a fallacy?

Provided that you bear in mind that (a) closing the N.S.B. account may increase the amount of interest actually credited in 1982-83; (b) the 1981-82 assessment will be increased, if the interest credited in 1981-82 was greater than the 1980-81 amount; and (c) April 1 1983 was Good Friday, then your plan is sound. It would have been easier to help you if you had given us precise facts and figures for each year. For the future, you could insist that your mother-in-law's case III assessment be made on the statutory basis, as confirmed in Hart (Inspector of Taxes) v Sangster.

### Liability for VAT

I have followed with interest your answers to questions about VAT and building work on March 12 and in Finance and the Family on occasions. May I ask three further questions? (1) Is the owner of the property or the builder responsible for deciding which

part of any works is repairs and which part is new work to be zero rated? (2) If a builder renders an account for repairs without charging VAT, can the owner charge the costs of the repairs to revenue account, or does the failure to pay VAT require the costs of repairs to be charged to capital account? (3) Which of the two parties, owner or builder, is ultimately responsible for paying VAT?

(1) In practice the builder will make the decision as to whether to charge VAT or zero rate the particular job. If the customer disagrees the Customs & Excise can be asked to give a ruling. If that ruling is disputed by either party an appeal lies to the VAT Tribunal and then the Courts.

(2) We are not sure of the meaning of your question but if you are referring to revenue or capital account in relation to taxation the answer is that VAT and direct taxation are quite separate. What is revenue for income tax is decided on the principles which have evolved in relation to that tax. The view a builder might take in relation to VAT is of no relevance to the income tax situation of his customer.

(3) It is the builder who is responsible for accounting to the Customs & Excise for VAT. The customer has no liability to the Customs & Excise.

### American wife's tax in UK

The answer published on April 16 under "American wife's tax in UK" was written before the Budget. As reported in the FT on March 16, the CGT rules for bank accounts maintained overseas by people domiciled outside the UK are being changed for 1983-84 onwards, by clause 6 of the Finance Bill: losses will no longer be allowable, and gains will be chargeable on the remittance basis. For other UK residents, however, the rule remains unchanged: losses are allowable, and gains are chargeable even if unremittable.

### A transfer in specie

With reference to our reply last Saturday under the heading "A transfer of specie it has been pointed out to us that section 56 of the 1979 Capital Gains Tax Act gets a person off the CGT hook in the situation described, in conjunction with section 55 (1) as rewritten by section 84 (1) of the 1982 Finance Act.

Even where there is a potential CGT charge on assets leaving a trust, rollover is generally available, under section 82 of last year's Act.



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## YOUR SAVINGS AND INVESTMENTS—2



ACCOUNTANTS have been slow to latch on to the areas of personal financial planning. Most of the large firms have sizeable tax departments but few have specially trained people who cater solely for individuals seeking to put their affairs on a sound footing.

On the face of it accountants are in a good position to offer impartial advice. They are paid by the hour and under the Institute of Chartered Accountants in England and Wales' rules they must tell clients how much commission they receive as a result of dispensing their financial wisdom.

Some firms even go so far as to say they will deduct any commissions received from the clients' bill. But it is best to check this matter in advance.

Fees are often a stumbling block. Accountants, like solicitors, charge by the hour. Most people, however, like to know in advance how much they are going to be charged. Firms that

are members of the Institute of Chartered Accountants in England and Wales are required to discuss the fee for a particular assignment before accepting the job but even so it may be difficult to determine the exact size of the bill at this outset.

As I have stressed throughout this series it is crucial to check that the adviser you approach is fully qualified and a member of a bona fide professional body. This should ensure a basic minimum quality in the advice and provide an avenue of recourse in the event of disappointment.

Unfortunately anyone can set up as an accountant, tax consultant, so do check carefully on an individual or firm's credentials. While the Institute of Chartered Accountants in England and Wales cannot recommend individual chartered accountants, it can provide a list of firms practising in your area.

Unfortunately not all members are either interested in or qualified to give specialised financial advice. For many large firms personal clients have tended in the past to be a periphery business, sometimes even being regarded as a loss leader.

In the provinces, accountants tend to be less specialised and it is best to make sure that someone giving you detailed investment advice really knows what he is talking about. It is often extremely difficult with the best will in the world for any one person to keep up with the changes in tax law, latest savings products and international markets.

That said, a really good accountant can be invaluable in helping you plan your financial affairs and should be able to put you in contact with other professionals, such as stockbrokers or insurance brokers, who can fill in the details of your financial portrait.

One of the plus points about

You and your money: Rosemary Burr continues her series on accountants

## When a package deal is the best buy

accountants is that they tend to ask for a great deal of personal information from clients before giving advice. Often they try to discover people's detailed plans for the future and suggest a long-term strategy.

As a general rule of thumb the more questions any financial adviser asks you the better. Without plenty of information about their clients advisers can give only inadequate suggestions. Beware anyone who tells you where to invest £1,000 without first seeking to discover such facts as your tax status, investment aims and financial commitments.

● **Dearden Farrow**  
Cost per hour varies from £50 in London when talking to a partner to £30 for some specialised staff. The firm has a personal financial planning department which works in tandem with the rest of its staff. Publishes a quarterly letter and pamphlets highlighting particular issues. Provides general outline of investment plan and will use

any commissions gained to reduce fees.

● **Robson Rhodes**  
Charge from £25 to £50 per hour. A one-off review of an individual's financial affairs will be priced according to complexity. Again, the firm will give general financial guidelines rather than recommending specific investments.

● **Keymer Haslam**  
A two-partner country practice. Martin Haslam says he specialises in giving personal financial advice and has about £1m under his control. Charge is £26.50 per hour and there is no minimum sum required. Commissions are deducted from the fee. Haslam will give specific investment advice on equities and most traditional investment vehicles except commodities.

● **Peat Marwick Mitchell**  
Price per hour varies across the country from £30 to £70. Personal financial planning is handled through the private tax department. Clients are given an overall view and recommended

to see specialists for more detailed discussions. Any commissions earned through recommending clients are deducted from the firm's fees. Specialises in counselling senior executives and is prepared to help someone with relatively small asset value who looks like they may progress in future.

● **Thornton Baker**  
The firm has a flourishing financial planning service staffed by specially trained accountants. Fees vary from £25 to £45 per hour. The East Sussex head office provides quarterly bulletins for regional offices and internal lecturing. Advice is available at any of the firm's regional offices.

● **Willis, Parsons & English**  
Charge is £30 per hour and there is no minimum required. Jeffrey English says he will indicate the type of investment most suitable for the client and give specific advice on unit trusts and funds but not individual shares. He is particularly keen on Jersey roll-up funds and unit trusts.

## Introducing OPAS

DO YOU, as an employee who has just changed jobs, feel that your old employer has offered you a derisory transfer payment from the pension scheme?

Do you, as a pensioner, feel that your company pension should have been increased to make up for the ravages of inflation?

Do you, as an ex-wife who has been receiving financial support from your former husband, consider that you have some entitlement to a pension from his company pension scheme on his death?

If anyone has a query on their occupational pension or other benefit how do they go about finding out the exact position and then getting it put right?

The answer to the first query—finding out the position—will be made much easier with the launch this week of the Occupational Pensions Advisory Service—known as OPAS.

Occupational pensions is a complex subject, though one feels that the operators in this field have made it far more complicated than necessary. Employees, pensioners and their dependants still do not understand how their company pension scheme operates, what benefits they are entitled to, whether they are receiving those benefits, whether they can get more and how to go about seeking redress.

The person who should be able to deal with all pension problems is the pension fund manager. He is the person who is involved in the day-to-day running of the pension scheme and dealing with queries and

problems is or should be part of his job.

But this never solves the problems in many cases. Some pension managers only answer the question asked, and most people with queries do not know which questions to ask, so they get unsatisfactory replies. Others with a grievance will be dissatisfied with any explanation, no matter how lucid it is if they feel they are being treated unfairly.

There has been considerable unrest about this set-up and a feeling that the occupational pensions movement itself should take the initiative in providing an independent service for people who are dissatisfied over their treatment from the pension scheme.

Margaret Grainger, who until her retirement last October, was secretary of the Occupational Pensions Board, has been busy since her retirement in establishing such a service. OPAS is the result of her efforts with the operational framework established, and enough initial financial support to at least get off the ground.

OPAS will operate primarily through the Citizens' Advice Bureau network and inquiries should be made through the nearest CAB office. Complaints and queries will be accepted only after the inquirer has failed to get satisfaction from the pension fund manager and from using other channels such as the individual's trade union.

CABs will have access to a local pensions expert to consider the problem. Usually it



Margaret Grainger

will be a matter of interpreting and explaining the rules of the particular scheme.

More complicated queries will be handled centrally. Sir Monty Finnison is to be the first President of OPAS. It is envisaged that there will be a board of trustees, an executive committee and a management council to operate OPAS.

But it must be emphasised that OPAS is only an advisory and information service. It cannot provide an arbitration service for disputes between the individual and his pension scheme. Pension schemes operate under trust and the powers of the trustees are set out in the trust deed. The recourse, if one disputes the actions of the trustees, is through the Courts and the Court of Appeal.

Eric Short

## Better breakdown service

EUROP ASSISTANCE, the organisation which provides medical and other emergency help to travellers around the world, has launched a new scheme designed for the motorist in Britain.

GB Assistance, as the new venture is called, will be entering a highly competitive market where the old-established organisations such as the AA and the RAC are already facing a growing challenge from schemes such as National Breakdown, Red Rovers and Gold Star.

Europ Assistance claims a number of extras for its scheme which are not offered by its rivals at a price which is quite competitive.

The standard service, which costs £22.50 a year, provides one hour of a mechanic's time for roadside repairs and towing to a suitable repairer if more work is needed. Europ Assistance is willing to help not only after a breakdown but also after an accident—a service not provided by some of the other schemes.

If repairs cannot be completed within four hours GB Assistance provides up to £100 of cover to allow the occupants to continue their journey or return home by public transport or self-drive car. Alternatively bed and breakfast in a local hotel will be provided.

The extended service, which costs £37.50 a year, also provides help with a breakdown at home; transport for the vehicle and occupants back home or to the intended destination by a single transporter, cutting out

transfers between areas; and the transport of the ill or injured occupants to a hospital close to home by a private ambulance, subject to their medical condition.

If GB Assistance can deliver efficiently all that it promises its extended service provides a driver and spouse with broader cover at less cost. The full AA service, including joining fee, annual subscription, recovery and home breakdown service for driver and spouse costs £46.50 while the similar RAC package (under which no extra charge is made for the spouse) costs £38.50.

With GB Assistance cover applies to the vehicle and not the individual. This is an advantage if several people drive the same car but a disadvantage for two or three-car families.

Excluding the joining fee of £4 and £3 for the AA and RAC

respectively, the RAC package works out slightly cheaper than GB Assistance. Motorists can, however, accumulate an annual 10 per cent "no-call" discount up to a maximum of 30 per cent with GB Assistance.

Some of the smaller roadside help organisations are cheaper but they provide a much more limited service.

What drivers do not get with the new scheme is the full holiday and travel service, including maps and guidebooks, provided by the two large motoring organisations.

Europ Assistance has been helping foreign drivers in Britain for the past 10 years and has tested the GB Assistance idea on a number of British fleet owners. Insurance cover for the scheme is provided by Eagle Star Insurance Company.

Charles Batchelor

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M&G have proved their expertise over recent years in the management of gold funds, largely through the medium of gold mining shares. The Group acts as adviser to a specialist overseas gold fund valued at approaching US\$30 million.

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annual charge of 1% (plus VAT) of the value of the Fund to be deducted from gross income, but for the present the Managers propose to restrict this charge to ¾% (plus VAT). Remuneration is payable to accredited agents; rates are available on request. Agents should ensure that during the initial offer period cheques are made payable for the full cost of the units since M&G will account for any commission owed in due course. Trustee: The Trustee is Lloyds Bank Plc. A copy of the Trust Deed may be inspected at the head office of the Trustee or at M&G's London office. Auditors to the Fund: Deloitte Haskins and Sells. Taxation: The Fund is exempt from Capital Gains Tax. Distributions on Income units and retentions on Accumulation units are paid or retained net of tax at the basic rate. The Fund is a wider-range security under the Trustee Investments Act 1961, and is authorised by the Secretary of State for Trade. Application has been made to the Council of the Stock Exchange for the units to be admitted to the Official List.

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# Poor Winston

BY ROBERT RHODES JAMES

Churchill, 1874-1914  
by Ted Morgan. Jonathan Cape.  
£12.50, 560 pages

Concern among historians at the rapid expansion of "faction" — which might be loosely described as quasi-fiction masquerading as total historical fact — has hitherto been confined to films and recent television programmes. For example, the brilliance of Robert Hardy's portrayal of Winston Churchill in the television *Wilderness Years* series did not adequately compensate for the freedom with which strict historical accuracy was interpreted. The controversies over the film *Gandhi* are clearly destined to be of significant duration and heat; but the film industry has such a long record of improving history that one suspects that the public has learned to enjoy Errol Flynn as Robin Hood or Charles Laughton as Captain Bligh, and their modern counterparts, without taking the matter too seriously. It is indeed doubtful whether the enduring reputation of Gladstone will have been affected at all by the ludicrous version of his personality provided in the *Number Ten* television series.

Books, however, are another matter, and especially one on Sir Winston Churchill of over 300 pages, written by a winner of the Pulitzer Prize, with references, albeit almost exclusively to published sources, although these are glowingly described as "the official Churchill archives and immense research." And the whole appearing under the imprint of the admirable Jonathan Cape. Mr Ted Morgan, furthermore, is the author of a biography of Somerset Maugham that has won praise from Paul Theroux, Anthony Powell, and Anthony Burgess. This is obviously serious stuff.

No author should be blamed for his publisher's blurb, but when we are told that Mr Morgan has uncovered "surprising facets" which include Churchill's vehement opposition to Women's Suffrage — which may be regarded as one of the least dramatic revelations in modern historiography — and "the truth about the Dardanelles," some doubts may begin to arise, especially as what is proudly billed as "a previously unpublished photograph of the landing from open boats on the defended beach at Cape Helles" looks very suspiciously like one of the landing practices at Mudros. Certainly, no part of

the Gallipoli coast resembles this, and in any event the boats are rowing away from it!

Any book that opens with the words "Spanked into life like the rest of us, Winston Leonard Spencer-Churchill was 'born' should be viewed with caution. It may be true that Lord Randolph Churchill met his future wife at Cowes "as sleek yachts skimmed over the water, their great sails cutting and tacking," but the fact that it was late in the evening and dark makes it somewhat improbable. Then, what of Mrs Everest, the nurse to which Winston Churchill was so devoted?

"She toilet-trained him, with the nanny's vested interest that the sooner he learned to use the potty the sooner she would not have to wash nappies. She held his penis while he urinated, and washed it for him afterwards. She fed him, cleaned up the mess when he was sick, gave him baths, wiped his bottom, hugged him, and held him while he learned to walk. Hers was a presence Winston depended upon on an hour by hour basis."

"Meaningfully, and 'at that point in time,' one is tempted to add. We are then exposed to the wholly unsubstantiated charge that Lord Randolph had contracted syphilis at Oxford, or alternatively, from a 'Blenheim housemaid.' Consequently, Mr Morgan informs us, Once the disease was diagnosed, he could no longer sleep with his wife."

From this it is only a short jump to imply that John Churchill was illegitimate, that the Churchill marriage was a miserable disaster, and that the tragedy of Lord Randolph Churchill's career can be easily explained in physical terms. We have been here before. The claim that Lord Randolph contracted syphilis at Oxford stems from an allegation of the famous liar Frank Harris, based on what he claimed to be a conversation with Lord Randolph's former political ally, Louis Jennings. Even if Jennings made the allegation, and anyone who relies upon the testimony of Frank Harris is in sore straits — it was done so after he and Lord Randolph had bitterly separated.

I have always strongly doubted whether Lord Randolph's decline and early death was the result of syphilis. A far more probable cause was a brain tumour, that, given the expertise at the time, was not diagnosed. There was no

autopsy, and the fragments from his doctors' papers are in my judgment — and those more experienced in these areas than I am, whom I consulted when I wrote Lord Randolph's biography — wholly inconclusive. Anything is possible, but the historian should deal with facts.

Mr Morgan's emphatic statement of the early estrangement of the Randolph Churchills — repeating all that his fellow American Mr Ralph G. Martin has alleged before in his racy, successful, but not convincing biography of Lady Randolph — collides sharply and seriously with the evidence that we do have in their correspondence of their devotion. It was a marriage that had many storms and difficulties, but the bond held.

But Winston's traumatic childhood and parentage is just the beginning. Lord Randolph's spectacular career, which so inspired not only his son but subsequent generations, is dismissed with contempt. When he became Chancellor of the Exchequer and Leader of the Commons we are told that: "At thirty-seven, he was like an effervescent old man. Jennie found him so distant and bizarre that she suspected he had a mistress."

These observations read somewhat strangely when one reflects on even Queen Victoria's and Gladstone's grudging admiration for Lord Randolph's mastery of the House of Commons, and the contemporary testimony of his brilliance, youthfulness, and the excitement he inspired.

Mr Morgan's grasp of British politics may be considered somewhat tenuous as his hero advances. Nor does the book's style improve ("Churchill felt that he was in a strong enough position to write his own ticket"), although the writer's fertile imagination ("the sand hills of Port Stanley" should not flag. The Dardanelles chapter can only make the historian of the Gallipoli Campaign somewhat glum, reflecting that it does not appear to be the same campaign as the one that he has studied. There is a good case to be made for Churchill over the Dardanelles, as Mr Martin Gilbert has done, but to state that "it had not been Churchill's idea" rests on a refusal to concede the significance of certain memoranda written six months before the ill-fated enterprise, and other firm evidence.

There is indeed room for a biography of this extraordinary man that makes full use of the results of Randolph Churchill's



Churchill in 1911, aged 37, when he was First Lord of the Admiralty

and Mr Gilbert's labours, to provide a portrait that is accurate and human. His daughter, Lady Soames, has written the best so far. But it is cruel even to mention her name and that of Mr Gilbert in the same breath as that of Mr Morgan. This is a truly lamentable book. And for what, one is entitled to ask, did the author receive his Pulitzer Prize?

## Maelstrom

Salvador  
by Joan Didion. Chatto & Windus/The Hogarth Press.  
£8.95 (Paperback £2.95) 108 pages

As men of bad will prosper in the Salvadorean maelstrom one is tempted to lose all hope, for that country.

Into such a hopeless situation comes Miss Didion and writes a short, lucid account of the horrors and stupidities. She recounts her interviews and trips about the country capturing the feeling of the nightmare of violence overlaid with political hypocrisy that is El Salvador.

As Mr Reagan's Central American policies are increasingly questioned in his own country, Miss Didion's descriptions of murder, suffering and equivocation should help the debate. What she has to say should also strengthen the resolve of the friends of the U.S. to try and persuade that country to wake up to terrible things that her representatives are doing in the supposed cause of democracy.

HUGH O'SHAUGHNESSY

# Taking the waters

BY GABRIELE ANNAN

## The Philosopher's Pupil

by Iris Murdoch. Chatto & Windus/The Hogarth Press.  
£7.95, 378 pages

For her twenty-first novel Iris Murdoch has invented a town called Ennismore with a spa comprising indoor and outdoor pools, a garden, a promenade, a café, and private baths with bedrooms attached, the whole fed by a hot spring and controlled from a vast, subterranean installation. This, minutely charted, place is the centre of the action and also of Ennismore's social life. Ennismoreans are practically amphibious: they learn to swim in early infancy and head for the baths whenever they can. Otherwise they are quite ordinary, mostly of Non-Conformist stock, which gives them an inbuilt Puritanism in conflict with the disturbing atmosphere and antecedents of the baths where powerful Roman and pre-Roman deities were worshipped and unsettling, though agreeable feelings are regularly experienced.

The main theme, as often before, is possession: of one person by another, or of a person by an idea. In an indecisively complicated story four protagonists stand out from a large and eccentric cast: Rozanov, a famous philosopher of Russian extraction, born in Ennismore and returned after many years in America; his

seventeen-year-old granddaughter, Hattie; and the half-Turk, Tom, and George McCaffrey. Tom is a graduate, a golden boy, innocent and happy, "unfallen"; middle-aged George is an

amateur actor, rehearsing a masque about Aphrodite. Weird encounters and couplings occur, but George fails to manage a tête-à-tête with Hattie. All the same, Rozanov hears that he tried and writes him an indignant and wounding letter. It is this that finally decides George to kill him.

The incident also shocks Rozanov out of his normal blindness to human feelings: he recognises what his own are for Hattie. Shame and dismay overwhelm him, and after bidding an agonising farewell, he sets off for one of the private baths with his box of sleeping pills.

With Ms Murdoch there is never any need to dig for clues; they lie scattered all over the site. The problem is to classify and read them. There is one here that could be a Rosetta stone to many of the novels' ideas: can play 'deep parts' in human psychology. Ms Murdoch is always turning ideas into impulses, and the impulses come storming across the footlights of her theatre: because theatre is what her fiction is. It proceeds from action to action without any static interludes at all. Even interior monologues push forward the story in a positively Wagnerian way.

Wagner's is a drama of ideas and so is hers; her protagonists, like his, have attributes rather than characters. Hattie has fidelity, George's wife has pride and a mistress's humility. George himself has a curse upon him, a thoroughly Wagnerian thing to have; and Rozanov has a curse too, in his case the

ability to "connect". Esther Bernard, a convert Jewish clergyman, has the best attribute of all: charity and a gift for religion, even though he does not believe in God. Like James in *The Sea, The Sea*, he ends up a mystic, free from possessions (and of course from passions too.)

The action is the clash of attributes or ideas. It takes place in a world part pagan, part Christian, and part purpose-built myth, just like *The Arch*. Ennismore with its baths, its smart and not so smart quarters, its pubs and its churches is as symbolic a setting, as artificial, and as functional as Nibelheim and Wall-halla.

But for the music Wagner's drama would be schematic. Ms Murdoch animates hers with the exuberance of her storytelling invention, the speed of her narrative, and the white heat of emotion which can leave the reader quite limp until she revives him with a joke. She is a virtuoso of the cliff-hanger and a magician with physical sensation: feel the fur, smell the damp, see the sun glitter on the snow.

On a small scale she never loses psychological plausibility: when people are frightened, irritated, or touched by a small sudden pathos; when they are tense or relaxed or exuberant or dejected, then one feels the frisson of recognised truth. She creates exhilaration; but when it subsides, the motivation of her characters can seem too programmatic: as, though Sophocles had written *Oedipus* after his analyst had told him what it was really about.

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# Date with the past

BY MARTIN SEYMOUR-SMITH

## Fools of Fortune

by William Trevor. Bodley Head.  
£7.50, 239 pages

In the Shadow of the Paradise Tree  
by Sasha Moorsom. Routledge.  
£6.95, 247 pages

All of William Trevor's books until now, and most of his stories, have had either mischievous or immediate paths in them. Frequently both. A more serious note has crept in of late, but the preposterous element remained. In *The Children of Dymouth* we had an ambitious young blackmailer, but somehow the story was funnier than it was disgraceful, however dreadful juvenile delinquency may be. William Trevor cast a black and disenchanted look at society, showed us hateful and pathetic people snarling at each other, or young victims driven by sporting and "decent" ambitions; he was unique, and we did not stop to worry about how weighty he was. That was as it should be.

With this new novel, *Fools of Fortune*, he seems to have wanted to stop laughing — to write something more "weighty." And nothing could be a better demonstration of the fact that, once you start thinking about being weighty, or substantial, you seem inevitably to become lighter, or less substantial.

This always very skilfully and elegantly told story covers 60 years of time. There are two families. They have been intermarried twice in their history. One is in Dorset, the other in Ireland. We begin by looking at affairs through the eye of the male representative: at Willie Quinton's childhood in Ireland in the years of the First World War and just after it. He slowly becomes aware that his Protestant parents are supporters of Home Rule, and that this attitude is more than just a state of mind. Then, when he is perhaps 10 years old, a man who gave information to the Black and Tans (he had "no political views" of his own) is hanged, and his tongue cut out. This is how young Willie first learns that life is not paradise.

In the second part of the book we deal with Marianne Woods, come from Dorset. She and Willie repeat past history by falling in love. How that love manages in the face of violence is really the subject of this ambitious book, which is the most self-consciously modernist — especially in the matter of the treatment of time — that William Trevor has written.

The best things in it, for me anyway, are the ones about schools, and about the very old people treat the very young. This is William Trevor's country, and perhaps no one else today does it so funnily, so

revealingly or so well. But I do not think his new high seriousness suits him. He is most tragic when he is most comic, and, although this novel is never less than finely written, it is too insistently tragic in tone to do justice to William Trevor's peculiar genius.

The plot, hidden away behind the suggestive sentences, is quite brilliant — but it is wasted, or partly wasted, by being given such a solemn treatment. The author had better have dared to maintain his old sprezzatura, even in the face of this grim and sad tale. But this is not to say that his book lacks high quality, only to regret that he could have made it into a masterpiece.

Sasha Moorsom's novel, her second, is about a confused young woman who is teaching at a university in an African dictatorship. It is a shrewd, intelligent, sensitive and often comic novel — and an extremely readable one. Jessica Miles does not know quite why she is where she is. It may be because she wants to stone her grandparents' patronising attitude to Africa — they were the worst sort of missionaries; or because she is an idealist; or because she is seeking for the paradise of an aunt she loved who lived in Africa and who, in an instinctive way, understood it as her more intellectual niece is doomed never to do.



Sasha Moorsom: African attitudes

The narrative, in the third person, is counterpointed with Jessica's own (taped) impressions, and the result is effective and impressive. In *The Shadow of the Paradise Tree* is wholly unpretentious, quite courageous in what it is prepared to say, and instructive about Africa. It is a novel that grows upon the reader, and I heartily recommend it for its straightforwardness and its lack of starry-eyed idealism. It is realistic in exactly the right sense, and the kind of book only a woman can write.

# Discovering the Singer family

BY NIGELLA LAWSON

## The Brothers Ashkenazi

by I. J. Singer. Translated by Joseph Singer. Allison & Busby.  
£8.95, 440 pages

## Deborah

by Esther Kreitman, translated by Maurice Craig. Virago. £2.95, 378 pages

## The Brothers Singer

by Clive Sinclair. Allison & Busby. £8.95, 182 pages

When *The Brothers Ashkenazi* was first published in America in 1936, it was met with huge critical acclaim ("Serious, solid, eloquent" pronounced the *New York Times*), although the fame of the author's Nobel Prize-winning brother, Isaac Bashevis Singer, has since overshadowed Israel Joshua's. One might hope that the appearance of this new, impressive translation of I. J. Singer's buxig epic would do much to redress this. I cannot see how it can fail.

Set in a Jewish community in Poland from the 1880s to the 1920s, it traces the effect which industrialisation, social upheaval and world war have on the lives of Polish Jews in general, and on the rival twin brothers Max and Yakub Ashkenazi in particular.

I. J. Singer is interested in history. But his interest is necessarily different from the traditional. European epic novelist. Singer does not picture the individual caught up in the sweep of history, but rather the Jew, who cannot be simply an individual because he is part of some statistic, emotive concept that is Jewishness. Talk of progress, revolution, social change, terms with which non-Jewish history is studied, can mean nothing to a people seemingly condemned to a repeated routine of alienation. When the wealthy industrialist, Max, is approached by

his fellow Jew, Nissan, pleading for the workers' rights, he reprimands Nissan for being champion of the gentiles. "We know nothing about Jews and gentiles... We know only of workers and exploiters," answers Nissan.

But "You don't know" said Max Ashkenazi scornfully. "But ask the gentiles their opinion. They know the difference between Jews and gentiles." He is proved right: the



I. J. Singer: Nobel man's brother who died young

workers' revolutions turn into savage and mindless programs.

Conflict, on every level, marks the relationship between the two brothers. Max is very much the Jew: passionate about improving his standing and acquiring wealth and respect. Yakub is easy-going: a modern European said to be "much too dashing and attractive to be Jewish." But the claims of his birthright cannot be disowned. When he is discovered for the Jew he is, he is brutally murdered.

Intense sibling rivalry, class struggle, fierce anti-Semitism and a decaying world are weighty matters, and this is a

weighty book. But it is not simply that: it is more the passion of its telling, the workings, as Irving Howe says in his excellent introduction, of "an imagination fruitfully at war with itself."

Deborah by the Singers' sister, Esther Kreitman, was first published here in 1946 and has been out of print ever since. It is an autobiographical novel about the daughter of an unworried, hapless rabbi and his bitter, cynical wife (the relationship between the two is told with particular sensitivity).

Deborah feels she cannot please her parents, who would have preferred their first-born, no doubt, to be a son, and she cannot please herself either. She desperately wants education and real love, "to be something," but her sex and religion deny her both. She falls in love with a pale, blaxing-eyed student who, despite reciprocated secret yearnings for her, ostracizes her too. Febrile and exhausted, she gives in to oppression and the arranged marriage in store for her.

In an interview in *Encounter* February 1979, Isaac Bashevis Singer made this statement about writing: "Only the dilettantes try to be universal; a real writer knows that he's connected with a certain people, a certain time, a certain environment." The power of Yiddish writing so often lies in the evocation of a certain people, a specific world in its totality. Esther Kreitman's world does not have the proportions of her brothers', but still there it is: a whole existence, Polish Jewry on the eve of its obliteration; a pathetic memoir.

It is difficult to find a place for *The Brothers Singer* in contemporary criticism. This opening chapter is a "critical reconstruction" of the Singers' childhood, based on the writings of the three authors. Memoirs

and fiction, throughout the book, are given the same status as autobiographical documents and testimonies with a casualness which would make even the least committed of structuralists shudder.

Clive Sinclair's strength, however, is his understanding of the emotive aspect of Yiddish writing. He lays great faith on the "genetic chain of influence." And there is much that is astute as well as in the personal sense in the Singers' writing. Yiddish literature, being about Jews, is about kinship. It is nicely fitting that Esther Kreitman's son translated Deborah and I. J. Singer's *The Brothers Ashkenazi*.

The large chunks of the Singers' writings which constitute *The Brothers Singer*, are presumably intended to whet the appetite for the books themselves. And the book is enlightening on the general concept of Jewishness in Jewish literature: Yiddish literature confirms the inevitability of the Jews' suffering, and their inability to do anything to effect any change in this pattern: their only defence, it seems to imply, is passive forbearance. But, says Mr Sinclair, "Judaism may well preach patience, but its history encourages Messianism."

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Yorkshire .....	6.00	6.25	7.25	7.00	immed. wdl. 28 days' int. loss
formerly Huddersfield & Bradford and West Yorkshire				7.25	5 Star Bond min. £500, 2 mths.' not. with pen. 7.25 Golden Key imm. wdl. 28 days' pen. interest

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## FINANCIAL TIMES SURVEY

Saturday April 30, 1983

The insurance broking community is undergoing radical changes worldwide. Tougher competition is prompting a keen reappraisal of most aspects among the major centres

## A stronger shape may emerge

BY JOHN MOORE

INTERNATIONAL insurance brokers have come through one of the most traumatic periods in their trading history. Competitive conditions in world insurance markets increased at a time when the whole question of the structure of the broking community was being reassessed. At the same time, dramatic problems emerged in Britain which cast a shadow over the London insurance market.

Yet all these factors show signs of leading to an increased self-examination of the function of the intermediary by the insurance broking community and its place in world insurance markets. This could lead to the creation of a wider range of services and higher standards of professionalism.

A year ago British brokers were grappling with the problem of a deep recession in the UK which affected many lines of insurance business obtained in their local market. Volatile exchange rate movements continued to add uncertainty to the activities of the large British international brokers.

Competition in all insurance markets has been fierce and brokers, who earn their money from commissions they are paid by insurers from insurance premiums when the brokers place business on behalf of their clients, have been at the mercy of the conditions prevailing in the wider insurance market.

Even so, the large broking units within the market were able to consolidate their positions. Multinational groups and large companies seeking a range of insurance services through intermediaries with strong international connections have provided a bedrock of solid revenues for the major American and British brokers.

Moreover, although there have been signs of large accounts switching in the last renewal season—most notably British Airways, which moved its account away from Bowring after sixty years to Sedgwick—there are also signs that the adverse effects of each big account move is being cancelled out by the movement of other accounts to the broker who may have suffered a loss of business.

## Rationale

The switching of major accounts when insurance market conditions are "soft" underlines the rationale for mergers in recent years among the leading brokers in Britain and the U.S.

The U.S. brokers' urge to become involved in the London market sprang from a desire to utilise the British brokers' established international links in continental Europe, London and the Lloyd's market, the Far East and other areas of the world where American brokers were not represented to the same extent as their British counterparts.

Moreover, the American brokers were impressed with the way the English brokers arranged insurance programmes in a way which allowed them to maximise their own broking revenues. They were also attracted by the British brokers' exclusive access to the Lloyd's market, which provides a vital pivot to the development of a highly profitable reinsurance programme for the broker.

Until the late seventies the Americans had no direct access to Lloyd's. Like all business flowing to Lloyd's, premiums have to be transmitted to Lloyd's underwriters through

any of the 266 Lloyd's brokers. One account coming from the American market for placement in the London insurance community usually requires the involvement of a large broker with extensive Lloyd's connections.

Once the American broker places business in London through one of the major British brokers the British broker gains a valuable opportunity to maximise his return on one major account. He will take a commission on the deal once it is placed in Lloyd's, sharing the commission with the U.S. broker. But then the British broker will have access to all the reinsurances on that one account, which are sought by the Lloyd's underwriters. Through arranging an ambitious reinsurance programme, the British broker can earn commissions many times over on one account.

In the early seventies, when stock market values collapsed in America and insurers found themselves underinsured, business volumes flowed out of the American market to London as U.S. insurers sought more reinsurance protection. Lloyd's and the London broking community thrived.

The Americans saw how successful the London market could be as an international broking centre. Moreover, in order to retain the "big ticket" business it was necessary for the American brokers to demonstrate to their clients that they had a wide range of international offices which could service the needs of the multinational. Since most brokers in the U.S. were largely home-based they looked to London for the answer.

As the American turned to Britain so the British brokers were becoming increasingly aware of the competitive pressures they were under. They found it difficult to operate directly in the U.S. market and most of them established correspondent links with the major U.S. broking groups which gave them the access to the American market. But in order to establish closer links with the U.S.

market and retain important clients in increasingly competitive conditions the British brokers realised that it was necessary to forge more formal links with the U.S. brokers.

The trans-Atlantic mergers began in a mixture of expansionist zeal and defensive apprehension. Marsh and McLennan acquired Bowring, Frank B. Hall acquired Leslie and Godwin. Then, as it became apparent that the broking units were becoming larger, size itself became important. Large broking units feared that they would become rated as medium-sized brokers if the mergers continued and a trans-Atlantic hunt began for partners which would enable brokers on both sides of the Atlantic to remain in their dominant positions.

The most controversial merger was that of Alexander and Alexander, the American-based broker which is still the second largest broker in the world, with Alexander Howden. The \$299m acquisition rapidly turned sour as a series of irregularities were uncovered within the Howden group which had wide repercussions for the London market.

It became clear that the entrepreneurial freedoms enjoyed in the reinsurance market could be abused and that a more rigorous system of reporting as well as checks and balances were required from all those involved in the Lloyd's market. Reforms are already underway.

## Legislation

In other areas the structure of the British broking community came under scrutiny. During the passage of the Lloyd's legislation for improving the market's self-regulation, Parliament decided that brokers must sell off their shareholding links with underwriting management companies—the units which look after the affairs of insurance syndicates at Lloyd's. Despite representations by the brokers in the later stages of the Lloyd's legislation Parliament refused to change tack and

in just over four years the links must be severed.

Parliament's interest in the relationship of Lloyd's brokers with insurers within the Lloyd's market developed an extensive debate about conflicting interests which exist within the Lloyd's insurance community.

But recent developments in the world insurance broking community may broaden the debate even further. Marsh and McLennan, the world's largest broker, has already said that it intends to sell off its underwriting interests, including the group's insurance companies subsidiaries, because essentially it finds the role of broking and underwriting naturally "antagonistic" and would find

it more comfortable to operate as a broker without those internal tensions. Others disagree with the Marsh and McLennan view, arguing that the role of an intermediary is essentially a flexible one designed to provide a good service for both client and underwriter.

Indeed they point to the growing interest of American insurance groups in the broking fraternity, the most recent example being the steady build up of a stake by The St Paul Companies of Minnesota to nearly 25 per cent in Minet Holdings. They also point to the vertical integration which has been established on the New York Insurance Exchange,

where brokers manage insurance syndicates. "Consumerist logic cannot be the ultimate criterion," observed one broker, "there are apparent conflicts of interest in any market place."

This year the process of change and reassessment is likely to continue. So far it is anticipated that the rate of transatlantic link-ups will slow down as the Americans probe the British market more cautiously in the wake of the Howden affair. But the concentration of business into bigger and bigger units, with major accounts passing to those with the most purchasing power in the market, is likely to continue and could lead to renewed merger activity.

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## Accepted voice of the industry

THE British Insurance Brokers Association has come through its formation period of welding together the former four insurance broking associations and coping with the initial problems of registration. In the words of Mr Michael Morris, its director general, it has adjusted to the new situation and can concentrate on developing a format for the future as the association representing insurance brokers.

Membership stands at 3,630 businesses, including subsidiaries, which is about 100 lower than last year. BIBA has ended the subscriber status for registration and now all members of BIBA must be registered or listed.

What has BIBA achieved in what is still only a comparatively short period since its formation?

One major achievement, according to Mr Morris, is that it has been accepted by the Government, by other insurance bodies and by the City of London as the voice of the insurance broker.

The various government departments, particularly the Department of Trade, now

approach BIBA as a matter of course for views on various insurance topics — commissions, licensing offshore life companies, and so on. BIBA also presents its views on matters of interest affecting insurance brokers. It presented a comprehensive paper on the proposals of Professor Jim Gower, adviser to the Department of Trade, on investor protection, and has set out its views on licensed dealers.

## Conflicts

Its acceptance by other insurance bodies is natural. But it is also accepted as the voice of the broker by the Unit Trust Association and somewhat surprisingly by the Building Societies' Association — even though there are several areas on conflict between brokers and building societies.

As far as the City is concerned, the chairman of BIBA is an ex-officio member of the Committee on Invisible Exports, an acknowledgement of the contribution to invisible earnings arising from insurance brokers, both directly and indirectly.

Education will play a major role in any future BIBA format, since one of the main planks of professionalism is a high standard of training and education. BIBA has been, to date, concentrating its educational activities on registration and on developing general seminars to cover all broking aspects.

Mr Morris says the future broker needs to have both educational qualifications and experience, instead of just experience, an accepted alternative for registration. To this end BIBA is associating even more closely with the Chartered Insurance Institute in designing training courses and examinations for would-be insurance brokers.

Recently BIBA held its first examination for a certificate of competence at junior level within broker offices, with over 100 individuals sitting the examinations.

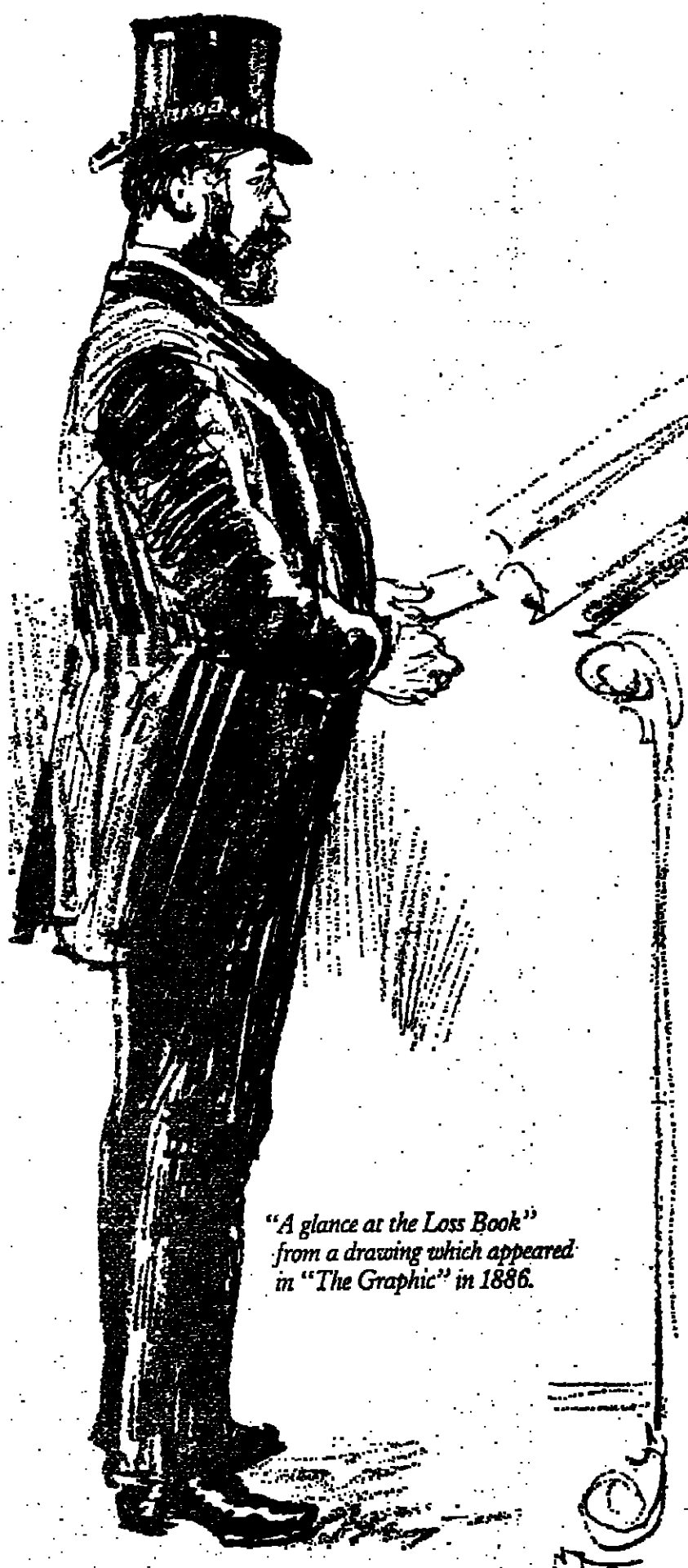
Another development for the future is the setting up of a proposed Central Bureau for the Analysis of Financial Information relating to Insurance and Reinsurance Companies.

A seminar held by BIBA in January on the supervision of insurance revealed a demand by members for a central agency that would scrutinise security of insurers.

Insurance brokers handling general insurance business any size are being faced with a growing number of insureds coming from overseas and reinsurers seeking business. The major Lloyd's brokers have the necessary research departments to monitor these companies, but even medium-sized brokers, operating mainly in the UK, cannot justify the expense of such a department. The answer is to pool information centrally and using BIBA would seem a logical method of doing this.

The proposed service is still in the formative stages, with BIBA looking into ways of providing this service. It would be on the lines of providing useful information to members from which they could make a judgment rather than producing a list of recommended insureds and reinsurers.

Eric Sho



"A glance at the Loss Book" from a drawing which appeared in "The Graphic" in 1886.

## 100 years in the Lloyd's market

Over 100 years ago, Cuthbert Heath began his career at Lloyd's. To mark the occasion his biography "Cuthbert Heath—Maker of the Modern Lloyd's of London" was published telling the story of the industry's greatest pioneer. It traced his career through such innovations as the first burglary policy, insurance against Zeppelins in the First World War, and earthquakes and hurricane insurance. Cuthbert Heath brought courage, individualism and an unmistakable touch of genius to the insurance world. To him more than to anyone else Lloyd's and the London insurance market owes its international prominence.

Today, more than 100 years later, the C E Heath Group is still responsible for handling projects all over the world, involving huge sums and complex risks.

In the Cuthbert Heath tradition they have made "adaptability" their keyword. With the flair and flexibility to keep pace with the insurance needs of an ever-changing world, C E Heath look forward with confidence to the future. A future spent in solving the world's insurance and reinsurance problems.



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## INSURANCE BROKING II

John Moore reports on the views of leading members of the industry on both sides of the Atlantic

## Top men's ideas on developments in the international arena

JOHN REGAN; MARSH AND McLENNAN

## Hopes for further links

JOHN REGAN, chairman of Marsh and McLennan Companies, the world's largest insurance broker, says he hopes that there will be "further links" between UK and U.S. brokers since he believes that "the role of the insurance broker is increasingly international in scope and the UK and U.S. firms typically complement one another very well."

Regan hopes that non-insurance interests "will not become involved in broking and do not expect that they will—or if they do, I doubt that it will work well." He adds: "In the UK, the experience of banks owning

brokerage firms tend, I think, to bear this out." In the U.S., where Marsh and McLennan is headquartered, "there have been and are legal prohibitions preventing banks getting into non-banking areas. From what I have heard and read about it, I expect that these restrictions will be modified only to a limited extent, in the directions primarily of inter-state banking and the securities business."

Regan feels that there is not "any synergistic benefit at all to a brokerage firm being owned by an industrial company."

Assuming that brokerage

firms remain independent business units he expects "they would enrich their services, as they have in the past, emphasising advice in the risk management area increasingly more than transactions." The definition of risk will gradually broaden out "even to include 'uninsurable areas.'" He expects that the range of professional services offered by his company will expand. "For example, we recently acquired National Economic Research Associates, a consulting firm."

Marsh and McLennan, he said, is committed to "maximising the potential of that which

we do best—insurance brokerage, risk management and other professional services. As we have publicly stated, we have adopted a policy of avoiding underwriting activities, both risk taking and management, simply because we feel we will do the job of broking better—and reflecting the fact that we see them as quite different, and somewhat antagonistic, activities."

Of the New York Insurance Exchange, the Lloyd's style market which has been in operation only a short time, he said "our relationship with that market is excellent. We have supported it from the outset. Of course, it has a long way to go, which is as it should be considering the essentially conservative nature of insurance underwriting."

The other insurance exchanges in the U.S., he feels, have not yet "clearly established themselves or the need for their establishment, but we will be watching what happens. In principle we are in favour of the creation of any new sound market. The principal developing markets around the world, as far as we are concerned, are in places like France more than in the Middle East or China."

Of Lloyd's he says: "We are convinced that it remains the premier market for reinsurance, special risks, and in general, true risks. Under its new mandate and enhanced leadership I would expect that it will settle down to play its traditional leading role."

DAVID PALMER; WILLIS FABER

## Lloyd's as cornerstone

DAVID PALMER, chairman of Willis Faber, one of Britain's largest insurance brokers, says that "no major broker can operate effectively today by trading solely at Lloyd's. Having said this I am very emphatic in my personal belief that Lloyd's should be the cornerstone of the business activities of an international insurance and reinsurance firm like Willis Faber."

More controversially, he does not believe "that a major broker can operate in the classic intermediary capacity. The broker's job is to strike bargains. A bargain is something that is right for both parties. To this extent, I reject the dogma, unfortunately followed by law, that the broker solely represents the assured. I have always believed, and always will believe, that the responsible broker has a duty to the assured. If this amounts to a conflict of interest, so be it."

The interwoven fabric of functions in insurance, he

argues, through broking, agency, insurance company and underwriting agency activity "does not lend itself to meticulous definitions and legalistic delineation of functions. Commerce is rife with conflicts of interest." He stresses that what matters "is the integrity, disclosure of interest and honourable intent that are encapsulated in the principle of 'uberrima fides'—utmost good faith."

Willis Faber, through its subsidiaries, acts as a retail broker, a wholesale broker, an insurer, a managing agent for insurance companies and a managing agent for Lloyd's syndicates. "The separation, the interface, the balance and the ethics are not easy to explain or comprehend," said Palmer, who had strong reservations about Parliament's insistence that Lloyd's brokers should divest themselves of their Lloyd's managing agencies.

"We manage and underwrite in London for 10 British and overseas companies," he says. "We have steadily increased our own investments in risk-bearing and now have

two companies wholly owned with combined assets of \$15m.

He defends his company's role in introducing overseas insurers to the London market, a trend which critics have said adds to excess capacity. "One of our prime objectives is to bend every effort to enhancing the standing of London as the world's leading insurance centre." If insurers in London were to attempt to deter overseas insurers from participating in the international market in London "we are simply inviting them to run up their flag and establish an international capability in their own home country and thereby compete with the London market rather than participating in it."

But if Palmer is keen to see his group provide a full range of insurance services, he believes that the large insurance broking groups should "stick to their last." He mentions: "We did dabble in ship broking and it did not do us any good. It went wrong and we got out. There is enough change and



Mr. David Palmer

development in the insurance industry itself to keep us all fully stretched."

Of the Lloyd's troubles he says "far too little emphasis has been given to the fact that the security of Lloyd's has at no time been challenged or called into question. Our objective must be to heal the wounds, bridge the divisive gaps between the segments of the market, put our weight behind the implementation of the new Lloyd's Act of Parliament, support the new Lloyd's chief executive to the full and put the sad saga of recent years firmly behind us."

ALBERT TAHMOUSH; FRANK B. HALL

## Increased range of facilities

ALBERT TAHMOUSH, chairman, president and chief executive officer of Frank B. Hall, a major U.S. broker which took over Britain's Leslie and Godwin broking companies in the late 'seventies, says he believes "there will be continuing mergers between UK and U.S. brokers, some being complete mergers and others on a partial equity basis."

Over the next five years he does not anticipate that banking and insurance broking groups will form links and he feels that industrial interest "is beginning to wane as our economy improves, and industrial concerns focus their attention on improving their competitive position with respect to their basic products."

He says that U.S. broking firms are providing "more and more of the services normally made available by the underwriters. This is especially true with respect to administration of insurance programmes, claims facilities, static loss analysis and control—in short, everything except major underwriting risk taking. In addition, U.S. brokers are developing service facilities and products that seem to fall between insurance and financial services. For example

in our company we have developed a product that insures against wide swings in the prime interest rate."

Then too, he says, "there are supportive services such as our risk science which evaluates environmental risks. We would estimate that in 1982 the so-called direct brokerage phase of our business approximately half our income was strict brokerage and the other was

for services such as I have already described. This obviously does not include employee benefits, reinsurance and some underwriting."

Any underwriting which Frank B. Hall does, he stresses, "is purely an adjunct to our broking and service activity. It is not our philosophy to be in the underwriting business for itself and to compete with other underwriting markets."

DAVID ROWLAND; STEWART WRIGHTSON

## Underwriting side helps

DAVID ROWLAND, of Stewart Wrightson, a large UK broker, believes that "the transatlantic marriage market has been set back by the events of the past year in London. My own view is that the setback is temporary and that large firms on each side of the Atlantic will seek to reinforce trading links to their mutual advantage by means of a shareholding and/or ownership."

The formation of numerous captive companies by industrial concerns, he says, is one aspect of the move of industrial companies into insurance. "I think that it is less likely that industrial companies will move sub-

stantially into insurance broking other than using in-house brokers as a means of saving themselves some commission."

In Britain, he says, "we tend to forget that already the banks are a very significant force in personal life insurance. This is likely to continue. The question is whether any major broker will properly organise its affairs to tackle the life assurance and personal lines field in the UK."

Of the arguments raging in the British market about conflicts of interest Rowland points out that "even if I declared today, which I have no inten-

tion of doing, that Stewart Wrightson would divest itself of all its insurance company and underwriting agency activities, we would still have within the broking company itself hundreds of separate underwriting facilities which we manage with authority given to us by Lloyd's underwriters and insurance companies. Volume business would not be transacted through insurance brokers at the same costs without the use of these efficient means of handling large numbers of relatively straightforward and similar transactions." Without these facilities clients would suffer higher costs, he argues.



Mr. David Rowland

ROBERT CORROON; CORROON AND BLACK

## Moves by the banks

ROBERT CORROON, who chairs a large U.S. broker which holds 20 per cent of the shares in Britain's Minet Holdings, said "there probably will be more moves to link UK and U.S. brokers but I personally believe that most of that is behind us when you consider the fact that there are now only four major independent U.S. brokers who already have links."

Unlike some of his competitors he believes that "if federal legislation permits the U.S. banks to engage in the insurance business, I believe you will see them becoming involved in insurance broking."

He feels that the major developments in the next few years will be in "mass marketing and fees for specialised services." Corroon & Black has four major groups, one of which is underwriting management, he says, "where we principally act for non-controlled insurers. We will have a continuing commitment to this activity."

The broking community in the U.S., he says, "will continue to have strong relations with Lloyd's during a period of change. These relations will continue as long as Lloyd's remains competitive. There is considerable debate that Lloyd's could possibly lose its flexibility and creativity if too many restraints are imposed during this period of change. I personally believe that the Lloyd's community and those charged with regulating its affairs have too much sense to do things that would diminish Lloyd's effectiveness."

CHRISTOPHER PRICE; HOGG ROBINSON

## Eye on new markets

CHRISTOPHER PRICE of British broker, Hogg Robinson, argues that "it is difficult to see that there can be many more links forged between the London market and the U.S. The most significant brokerage group without a formal link is, of course, Sedgwick Group. Obviously those companies that are linked will try to direct their business through their links. This will be a slow process because of the specialisation and personal ties that are established."

The "better profits available in the insurance related industries," he says, "have undoubtedly attracted a lot of outside investment. The highly publicised problems of Lloyd's and the possibility of more industrial growth may detract from the previous attraction of this sector."

Price stresses that "underwriting cannot be a major commitment for the future," among the brokers. "It will inevitably become less important. In the light of this the strategy of Hogg Robinson is to increase the concentration on our high quality consultancy and broking based services which are provided within the insurance context."

"For example, we plan to develop further our existing strength in such areas as credit and political risk insurance, which are supported by expert consultancy and advisory services. There is also scope for expansion of our benefit consultancy services covering pensions, life assurance, and

the whole range of personal financing planning. The same strategy applies to Hogg Robinson's overseas network."

Of the newer markets he says: "these are not yet substantial alternatives but we are watching them closely," and hopes that "Lloyd's major problems are behind them. We continue to see Lloyd's playing a significant part in world markets for insurance."



Mr. Christopher Price

NEIL MILLS; SEDGWICK GROUP

## Faith in London

NEIL MILLS, chairman of Britain's largest independent insurance broker, Sedgwick Group, says that "recession, high interest rates, inflation, soft markets, overcapacity and underwriting losses worldwide and allegations of malpractice in the London market 'may have added to a sense of uncertainty and unease'."

He argues that the misapprehensions created about the London market "conceal not only its abiding and in some cases unique attributes. More significantly they hide the fact that in Britain and overseas those who have experience of and really know and understand the working of the London market, although expressing concern, never seriously doubted its overall integrity and stability."

Lloyd's, he says, "was alert

to its regulatory weakness, reacted to it and is now exercising new powers given to it by Parliament enabling it to deal effectively with the instances of unprofessional or allegedly irregular practices which have occurred in recent years. However, no policyholder has been adversely affected."

He adds: "Equally, while the difficulties of a continuing soft market prevail insurance companies may allegedly withdraw or restrict underwriting but there have been no company failures and again no catastrophes for the policyholder. The worst that has happened is that the London market through the actions of a minority has suffered damage to its reputation for professionalism and excellence. The damage is being repaired and the professionalism and excellence still remains."



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THE BRITISH  
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## INSURANCE

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## INSURANCE BROKING III

## ANALYSIS OF THE MARKETS

A summary by FT writers

## Marine

LAST YEAR saw an improvement in the marine insurance market. A lower number of losses at sea were recorded by the Institute of London Underwriters. Ships of over 500 tonnes gross lost totalled 238 against 248 a year earlier, said the Institute, which represents over 100 insurance companies operating in London. Gross tonnage lost was 1.4m compared with 1.6m in 1981.

Lloyd's and London insurance companies are reckoned to receive around half the world's marine insurance premiums, with Lloyd's holding a 20 per cent market share. So the effect of the cutting of rates, which are supported by the dominance of the market, may not have been as severe in other classes of business.

But the basic problem for marine insurers has been the state of the shipping industry. Last year the amount of tonnage lying idle showed an almost fourfold increase to 44m gross tonnes by the end of December, which has acted as a brake on rate increases.

Recent projections by Lloyd's of the situation in the current year suggest that marine claims could rise 45 per cent on last year to reach \$365m on major vessels.

Set against a background of falling interest rates in the UK underwriters have taken action to prevent a sharp downturn and to harden rates.

## Aviation

UNDERWRITING losses on aviation business took off again steeply last year following a relatively favourable experience in 1981. If the aviation sector was bad the picture in space was even worse.

Eighteen Western-built jet losses were recorded in 1982 with a total hull value of \$220m. This compared with a loss of nearly \$121m on 11 aircraft in 1981, an untypically good year for the aviation sector according to the Institute of London Underwriters.

Wide-bodied jets proved particularly costly with the three aircraft of this type to be written off accounting for about \$118m, more than half the total.

The depressed state of the

world airline industry was reflected in the failure of two large companies, Braniff and Laker, and prospects for growth in the foreseeable future are meagre.

In space, according to the Institute, results were even worse. Insurers have suffered disastrous losses and the loss ratio is running at more than 200 per cent. The first operational flight of the European launcher, Ariane, and India's first communications and weather satellite both ended in failure last year. Even more worrying is the increase in demand for space insurance — the first commercial flight of the Space Shuttle was carried out in 1982 — set against a decreasing ability to spread the risk.

While the risks of satellite insurance are high, so too are the rewards, with premium rates ranging between 5.25 and 13.5 per cent of the insured value. Efforts have been made to increase capacity and it is currently estimated by some participants in the market to be around \$125m.

The increasing number of launches is straining these limits however, while there is growing potential demand from companies involved in broadcasting, telecommunication and data-transmission for cover for the breakdown of channels they buy or lease and for interruption to their business.

With new launchers, such as the Shuttle, capable of carrying two or more satellites the size of the risk and the concentration of risks is growing.

The owners of spacecraft may now take out options to place their payload on a range of launchers so underwriters face the prospect of several large risks ending up on the same launch vehicle.

## Oil and gas

THE OIL and gas market is becoming increasingly competitive at a time when more drilling rigs are being laid up. According to the Institute of London Underwriters, whatever benefit had been gained from an improving marine market has been offset to some extent by the adverse experience with oil and gas industry risks. Claims coming through to underwriters are rising as some of the biggest offshore losses

are recorded. Moreover, there is a growing volume of claims from structural damage as well as an increase in claims following blow-outs.

"Taken together these claims are seriously eroding the premium base, leaving little in reserve to cover the potentially catastrophic concentration of the huge values at risk in the North Sea," warns the Institute. At the same time the level of activity among clients in this sector is falling. Rates are coming down as more insurance capacity has become available and rates are expected to be under pressure in this sector for the future.

## Contractors

A LOWER level of construction activity in the Middle East as major infrastructure projects are completed, coupled with overcapacity in insurance markets, has meant that insurance rates have been weak for some time in this class of business. "Rates have been derisory for some time," said one broker professional. Contracts works policies have often been rated at below the rates already established on fire and special perils business.

There has been some withdrawal in insurance capacity as interest rates fall but it is the decline in major project work, as the Middle East completes its infrastructure programme, that is the major concern. "The tap has been turned off on major projects in public sector works, with the possible exception of Saudi Arabia," said one specialist.

## Property and Casualty

THE TRENDS in property and casualty insurance markets are showing a mixed picture. In the U.S., home-owner insurance, fire and motor business have shown signs of hardening rates but overall commercial lines of business are showing huge losses.

The situation is so bad for some insurers, where the sea of red ink is causing alarm, that there have been increases in rates in classes of business, in some of the speciality com-

mercial classes and in smaller and medium-sized risks. But the underlying trend is still weak because of competitive conditions.

Commercial business in Canada has also been subject to intensive rate cutting, while rate cutting on fire business in Australia has been fiercer than anywhere else in the world.

In Europe motor rates in the Netherlands, in a tightly regulated market, have been pegged for a number of years, while in Germany, although the motor market is tightly controlled by the Government, a reduction in motor damage costs has helped overall performance in this line of business.

The introduction of a new tariff system on industrial fire business interruption insurance in Germany from the beginning of this year is expected to harden rates.

In the UK both private and commercial lines of business are subject to soft conditions, largely exacerbated by the effects of recession, although the major motor insurers have been helped by the rate increases made from late 1981 onwards.

## Motor

INSURANCE COMPANIES in Britain and to a lesser extent Lloyd's motor syndicates, are competing keenly for private motor insurance business—one of the few insurance sectors in the UK offering a reasonable return on capital. The insurers are doing this by keeping their basic premium rate steady, when claims experience would indicate a rise in premiums, and secondly by making selective cuts in rates for the more profitable lines, such as the older drivers.

Static premiums, all other things being equal, mean static commissions. But insurance companies are seeking to hold premiums steady by cutting commissions back to the lower end of the accepted scale of 10-15 per cent. A 10 per cent payment is now as common as 12 per cent—the norm of a year ago.

Meanwhile, insurance brokers are finding their administration expenses rising, fuelled by

becoming far more involved in handling clients' claims, including claims against third parties. Margins are very thin.

However, this is being offset by the trend for motorists to go to a broker for motor insurance instead of using the insurance company recommended by his garage. Brokers are finding far more clients for motor insurance — Anthony Glover and Swinton Insurance are reporting rapid expansion. A good service on motor insurance can lead to other more rewarding insurances.

Motorists are now becoming far more cost conscious in their insurance, not hesitating to switch their insurer. The broker is having to comply with this search, while explaining that cheapest is not necessarily the best.

## Life and Pensions

LIFE and pension brokers in the UK are at last receiving recognition from life companies for the work they do in securing new business. From the beginning of the year, following the end of the old commission agreement operated by the Life Offices Association and the Associated Scottish Life Offices, life companies have been paying higher commissions to registered insurance brokers.

This is the good news. The bad news is that other full-time intermediaries, not subject to the professional disciplines of insurance brokers, are also receiving higher commissions.

Some life companies do pay a slightly higher differential to registered insurance brokers but others pay the same differential, in particular to building societies—the current bete noir of brokers.

One has the feeling that building societies are receiving this higher payment solely from the extra business introduced and MIRAS has given building societies a lot of muscle, rather than from the servicing provided in securing new business.

The traditional life companies are now trying to resolve the commissions situation through a proposed Registry of Life Insurance Commissions — ROLAC. BIBA has the task of ensuring that registered brokers

are duly rewarded in the differential structure proposed under ROLAC.

## Reinsurance

UNDERWRITERS are reporting that reinsurance rates are rising. "The secondary market — the reinsurance market — dictates the primary market, the direct insurers," said one underwriter, "and there is a shortage of capacity on certain lines of business in the reinsurance market."

Slowly over the past year reinsurance rates have been rising as some of the cash flow underwriting of the past few years has begun to take its toll on various participants. Some spectacular losses are being recorded in captive companies operating in Bermuda and have led to a contraction in capacity.

But if the captive movement—those companies which are run by non-insurance concerns to insure their own risks—is beginning to suffer stress through attempting to develop insurance portfolios in the reinsurance market, others are likewise feeling the strain. As more participants have entered into the reinsurance arena reinsurance programmes have become more complex and risks more atomised.

Cash transmissions between reinsurer and these companies protecting the reinsurer against onerous losses through reinsurance have slowed down. This has caused some financial strain in the world's reinsurance market. Increased litigation over disputed claims has meant that eventual payments can be held up for years until the cases are settled.

New the reinsurance market has contracted following the withdrawal of some participants. Rates are beginning to rise and some classes of business declining.

Now, over a year since the cycle began to show some sign of turning, underwriters and insurers are having to harden their own rates following some contraction in the amount of reinsurance capacity.

The Registration Council, the industry's policing body, has been operating for 18 months. Eric Short reports on progress

## Early days yet for judgment on registration

IT IS almost 18-months since the provisions of the Insurance Brokers (Registration) Act 1977 came into force in Britain. So the natural question to ask is has the Act achieved what it set out to do in controlling the British insurance broking industry and raising the professional status of the insurance broker?

To date, there are 15,300 names on the Individual Register, representing 4,543 separate insurance broking firms, from the one-man operation to the giant multinational Lloyd's broker. The Corporate Register has 3,146 names, thus leaving almost 1,400 sole proprietor and partnerships which have registered as insurance brokers.

No one can yet draw any firm conclusions from these figures, firstly because no one ever knew how many firms operated as insurance intermediaries before registration. A head count of the listings under insurance brokers in Yellow Pages produced a figure of around 9,000 before registration.

Secondly, the Registration Council is still receiving a steady stream of applications for registration, even after such a long time. Life intermediaries now have some incentive to register under the differential commissions being paid by many life companies.

Even so, the evidence points to the small business insurance intermediary not registering for one reason or another. Thomson local directories are segregating registered insurance brokers from other intermediaries so perhaps someone in the near future will do another name count.

However, in some districts there are signs proclaiming insurance consultants as well as insurance broker. Brokers still have an educational role in getting over the advantages of using a registered insurance broker.

John Fryer, the registrar, reports that the registration system is working smoothly, considering the enormous undertaking, though he admits that there were a lot of teething problems and system has still not settled down yet.

The technical requirements of registration are still a headache of the Council. M. applicants still do not know requirements and standards needed to obtain registration and it is perhaps surprising that no one has produced a plain language guide to registration procedures.

## Vetting role

The Council takes the view that since it is ultimately responsible for vetting applications, it would be wrong to spell out precisely what is required or even advise on what is necessary. The British Insurance Brokers Association, which is a separate body from the Registration Council, does a general advice on registration to any intermediary wishing to apply for registration.

The objective of registration was to raise the status of insurance broker by ensuring that he had the necessary expertise and integrity, that had the necessary financial resources to run his business, that he was properly prepared, that he had adequate professional indemnity cover.

To date there has been little problem ensuring that the minimum standards of expertise met, though some people apply too early, before completing the minimum three or four years' experience.

Even so, these educational and experience requirements can only be regarded as interim measure and in the future the requirements should be changed to ensure both minimum educational requi-

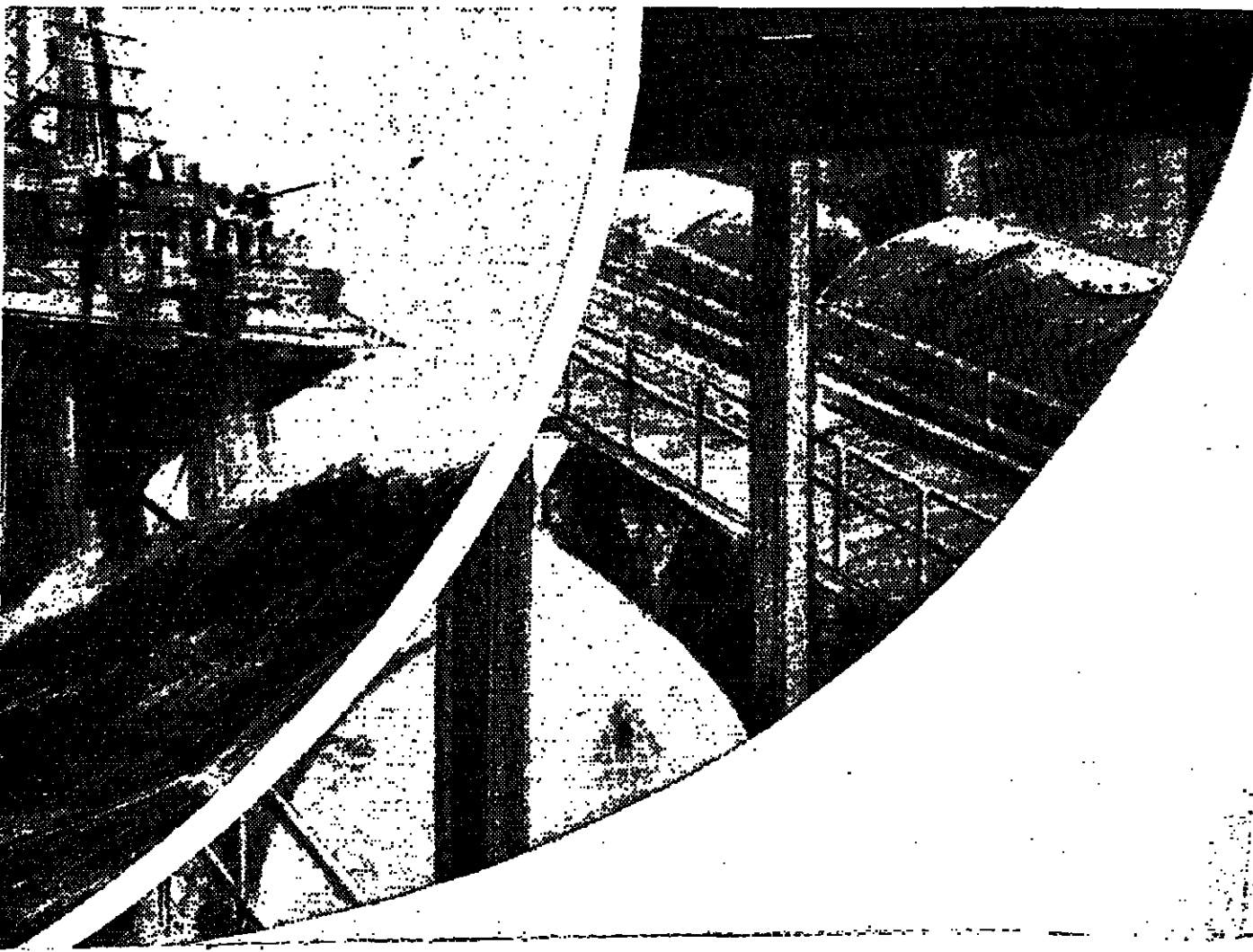
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## INSURANCE BROKING IV

orny issues remain to be resolved in the matter of financial links between brokers and underwriters. John Moore discusses the scene

## Interlocking ownership under close scrutiny

ULD BROKERS own or shareholding links with underwriters and should underwriters own brokers? That has been one of the main issues for discussion in the past.

The latest move by The Hull Companies, a Minnesota-based insurance group, and its share of a significant stake in Lloyd's, the British insurance broker, is likely to give fresh impetus to the issue.

The issue of brokers' relationship with underwriters centres on four main areas. The first is the brokers' shareholding in Lloyd's managing agents, the groups which manage the insurance syndicates at Lloyd's. Parliament has insisted that these links should be red. This has raised the question of who should own the shares in the future.

The brokers' continuing relationship through shareholding links with members of the groups which manage the insurance syndicates at Lloyd's, this has raised the question of whether Lloyd's can use a structure which can prevent actual conflicts of interest in the future.

Brokers' ownership of insurance companies and underwriting activities. If brokers are not allowed to have a direct share in the Lloyd's underwriting market through shareholding links with management companies, would they be able to retain their shareholding with non-Insurance companies?

Insurance companies' ownership of broker. In this arrangement there is an unacceptable conflict of interest created by the risk of the preference in business transactions of one party for the other. However, would Lloyd's be able to assert its authority over a member broker once owned or controlled by an outside insurer?

The question of brokers' ownership of underwriting management companies within the Lloyd's market was resolved by Parliament after it heard evidence of actual abuse in the relationship. Parliament heard evidence during the committee readings of the Lloyd's legislation designed for improving self-regulation within its

insurance market. At risk of abuse in the relationship between brokers and managing agents are the interests of members of Lloyd's, the interests of the assured and the interests of the Lloyd's market. Just three brokers through their managing agent links probably manage the affairs of around half the members of Lloyd's. The eight largest broker-controlled agencies are controlled by the eight largest Lloyd's brokers who between them account for over 60 per cent of the premium income of Lloyd's.

Some 114 underwriting managing agencies out of a total of 303 underwriting agencies are owned by brokers. The number of insurance syndicates managed by the 114 broker-controlled managing agencies is 308 out of a total of 431 in the Lloyd's market. The brokers, therefore, in their present relationship with Lloyd's have a direct influence over 71 per cent of insurance syndicates operating within the market.

### Market identity

Not only were the conflicts of interest giving rise to actual abuse but Lloyd's market identity was at risk with the fusion of capacity.

In its recent review of the underwriting agency system, prepared after Lloyd's gave undertakings to Parliament, Lloyd's has said that "those who control and manage agencies should be within the jurisdiction of the council (the new Lloyd's ruling body)".

Lloyd's argues that, although abuses have arisen in entities controlled by persons within the jurisdiction of the Lloyd's authorities, for self-regulation to be effective it is necessary that those who have the ultimate control of the agency function to be able to feel that they are members of the same society, regard Lloyd's as their market place, and have a common interest in maintaining its quality and integrity. "We doubt whether this sense of community would persist indefinitely if agencies became owned and controlled by persons outside the Lloyd's community. We would fear for self-regulation in that event," said the working party which re-

viewed the agency system. To this end Lloyd's working party has recommended that when the managing agencies are sold under the divestment provisions, not less than two thirds of the voting power of the agencies should be beneficially owned by members of Lloyd's. Up to one third of the voting equity can be held by outsiders but there is no limitation on the amount of non-voting shares which can be held by outsiders. Not less than two thirds of a board of directors of a managing agency should be Lloyd's professional underwriters and outside directors are permitted to join the board.

"We recognise that by restricting ownership of shares, we are favouring some prospective purchasers of divestment shares more than others. We believe that our recommendations are to be preferred over the possibility of control passing into hands outside the jurisdiction of the council," said the working party.

The question of brokers continuing involvement with members' agents, the groups which introduce members to Lloyd's and the market's insurance syndicates, has posed another problem for the Lloyd's community. The working party carrying out the review of the agency system stressed that "a Lloyd's broker's primary duty is to the insured and a member's agent's primary duty is to the names (the members of Lloyd's)". It cited three areas of potential and actual areas of conflict of interest in this relationship.

● A broker has power indirectly to influence underwriting policy on insurance syndicates by threatening to withdraw members from the syndicate.

● A broker has the power to prevent the management of the members agent which he controls from withdrawing members of Lloyd's from a syndicate in a case where the members agent's management may think it in the best interests of the members to withdraw.

● A broker has the power to influence the underwriter of the syndicate where that broker introduces members to place insurance business through his broking companies.

### ANALYSIS OF AGENCIES AT LLOYD'S (AS AT SEPTEMBER, 1982)

1. Total number of Underwriting Agents in Market divided into:-		
(i) Number of pure Managing Agents	=	35 (17%)
(ii) Number of pure Members' Agents	=	105 (35%)
(iii) Number of Managing/Members' Agents	=	163 (54%)
2. Total number of Managing Agents identified as having a Divestment Problem divided into:-		
(i) Number of pure Managing Agents	=	19 (17%)
(ii) Number of Managing/Members' Agents	=	95 (83%)
3. Syndicates:-		
Total number of Syndicates in Lloyd's Market	=	431
Number of Syndicates managed by the 114 Agents	=	308 (71%)

### AMERICAN LINKS WITH UK BROKERS

Alexander & Alexander	Merges with Alexander Howden
Corroon and Black	Owens 20 per cent of Minet Holdings
The St Paul Companies	Owens 24.96 per cent of Minet Holdings
Frank B. Hall	Owens Leslie and Gwynn
Fred S. James, part of Transamerica Corporation	Owens a 57 per cent stake in Wigham Poland
Johnson and Higgins	An informal link with Willis Faber
Marsh & McLennan	Owens C. T. Bawring
Reed Stenhouse	Stenhouse Holdings owns 49 per cent of the shares
The Continental Corporation	Owens a 20 per cent stake in Stenhouse Holdings
Rollins Burdick Hunter, part of Combined International Corporation	Closes informal links with C. E. Heath

Actual evidence had been obtained by the working party that such abuses had taken place in the last two described circumstances. Initially the working party said that brokers should be prohibited voting control of an agency if they wished to continue introducing members to syndicates. Such was the outcry by the brokers, who gave clear warning that unless they retained control of members' agents their commitment to the Lloyd's market might be "damaged", that the working party introduced an option. Providing the brokers do not introduce members who represent more than 20 per cent of the capacity of any one syndicate, they can still retain control. If they wish to introduce unlimited members to a syndicate then they cannot retain control.

### Revelation

The matter is still under discussion but the revelation by the working party of actual cases of conflict of interest has raised questions whether the links should be retained at all. The argument about conflicting interests in the broker underwriter relationship had spread outside Lloyd's rules. During the Parliamentary arguments over the future structure of Lloyd's those defending the links between brokers and Lloyd's underwriting agency management companies pointed to the brokers' ownership of insurance companies. Parliament argued that the two situations were not entirely comparable. Brokers through their Lloyd's underwriting agency management companies did not own the capital that was supporting their Lloyd's agency activities. The capital was pledged by the members of Lloyd's. Brokers owning insurance companies owned the capital. It was the desire to safeguard the interests of members of Lloyd's which prompted divestment.

But the recent announcement by Marsh and McLennan, the largest U.S. broker, that all its insurance company interests were up for sale has sparked off a new examination of the question of broker ownership of insurance groups.

By far the most sensitive issue in the broker-underwriter relationship was raised in the last few weeks with the build-up of a further 5 per cent stake in Minet Holdings, the British broker, by The St Paul Companies, a Minnesota-based insurance group. The St Paul Companies, a large property and casualty insurer, owns 24.96 per cent in Minet. Lloyd's has warned that if St Paul increases its stake or makes a bid "they might very well find that while they had purchased an insurance broker it would be a broker who was not authorised to place business at Lloyd's".

Lloyd's current ruling, which is to be reviewed next month, is based on a decision taken 11 years or so ago when Lloyd's was faced with a possible takeover by Excess Insurance Company for C. E. Heath, another major broker. The Lloyd's authorities felt that there would be a danger of an insurance company getting and giving preferential treatment if it owned a broker. A rule was imposed limiting outside insurance company interests to 20 per cent, which has been slightly relaxed to 25 per cent.

Yet already groups with large underwriting interests are making inroads into the Lloyd's broking community. For instance, Transamerica Corporation, the San Francisco-based financial services group which has life insurance as well as property and casualty insurance interests, acquired last year the U.S. broker Fred S. James, which in turn holds a 57 per cent shareholding in Wigham Poland, the British broker with Lloyd's interests. Combined International Corporation, a U.S. specialty insurer, primarily selling supplemental accident and health and life insurance policies, last year bought Rollins Burdick Hunter, a U.S. broker which has a long-standing correspondent relationship with C. E. Heath in the London market.

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As risk management developed, the insurance broking industry came to recognise that additional technical expertise was needed by clients as well as more innovative solutions to insurance buying. Mr Bawcutt finds that brokers have responded by setting up risk control departments specialising in technical engineering skills, the establishment of management companies which can look after the captive insurance companies of the major clients and the "transition from the conventional commission-earning basis to a fee basis which reflects more accurately the work and professional advice supplied by the broker rather than relating directly to the amount of insurance that is being sold."

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## Computers an essential aid to efficiency

RAPIDLY expanding risk-carrying capacity chasing slowly growing business volumes has put insurance brokers under increasing pressure to improve productivity and cut costs.

Recent advances in computer technology have a key role to play in improving efficiency, not least by freeing brokers of an awesome burden of paperwork and thus, giving them more time to compete for extra revenue.

Few brokers in either the provincial or City markets would now consider operating without computers. The main differences among them are how they organise their systems.

City brokers need to process huge volumes of paperwork to meet the complex, accounting requirements of Lloyd's, but it has been difficult to produce policy details and slips on word processors until recently because they contain numerical material as well as text. The arrival of combined word and data processing systems with access from a single terminal is therefore one advance which has gone to the heart of the industry's needs.

Combined word and data processing is the key feature of Willis Faber and Dumas' Broker Driven Systems (BDS), which started full production earlier this month in the company's Aviation American Division and a prototype of which is under trial in its Oil and Gas division.

The principle of BDS is to capture electronically all the text and data relating to a risk as early as possible for re-use in later stages in the processing chain. The system is centred on an IBM mainframe as a data base, linked to an extensive work of IBM data and word processors. Formerly the company depended exclusively on independent mainframe data processing with word processors operating separately.

### Support system

BDS also aims to build up a decision support system, including programmes which work out "what if" statistics, risk and loss histories and provide financial projections. Existing systems include analyses of information on all the world's major airlines and loss histories to pinpoint major sources of risk for clients.

BDS, whose software took 80 man-years to develop, will eventually be used throughout Willis Faber's international business and the company plans to supplement its mainframe with local minicomputers to ensure greater speed and flexibility.

The underlying theme of the BDS approach is to transform working practices back to those in place at the turn of the century, when the company comprised small groups of people each with an intimate knowledge of all the paperwork involved in their clients' business.

Since then the growth in volume and complexity of business has meant that, with other City brokers, paperwork has become increasingly fragmented. A single transaction can involve around 80 tasks, which could only be achieved by subdividing work into

separate and not always coordinated units.

Willis Faber leads its sector in this field. Others have been inhibited by the danger that microelectronics are developing so quickly that equipment bought now will soon be out of date. It may be better, they argue, to wait for hardware costs to continue going down and software packages to get more sophisticated—unless like Willis Faber they are prepared to spend substantial sums on writing their own. On the other hand, they risk losing competitive edge if they develop late.

### Late decision

Stewart Wrightson is one broker which made a conscious decision to enter the micro-electronic field comparatively late. "This means we are in a better position to evaluate the equipment available," says Mr David Broadley, director of group systems for the company.

Like Willis Faber, Stewart Wrightson is switching from exclusively central mainframe processing to a distributed operation, but is taking a different route. Instead of using terminals to tap in to a central data base with the occasional support of local data processing, it plans to do away with its mainframe entirely. By 1988 the company aims to be dependent on wholly distributed word and data processing.

Stewart Wrightson chose this option because its operations are more diverse than Willis Faber's and it was felt there was no need for central data storage. More than 90 per cent of the data needed by individual users is not shared by other companies in the group. A distributed solution—as opposed to centralised data processing—will be cheaper and more flexible, says Mr Broadley.

The company's present 20-year-old computerised accounting system is based on an IBM mainframe which costs £1.5m annually to run. Each batch of accounts takes up to a month to complete and the system is dangerously dependent on the knowledge of a handful of people—in contrast to the hundreds who will be familiar with the new system which began operating earlier this month.

Stewart Wrightson has invested £1m to date in software and hardware for its new system, a figure which will rise to £1.5m by the end of this year. For the time being, it is geared to automatic accounting and documentation—for the "front end" of the broking business—rather than the much wider range of functions performed by Willis Faber's BDS.

Distributed processing is not in itself unusual but Stewart Wrightson is taking the theme a step further than the more widely accepted IBM type approach, which favours a hierarchy of processors, ultimately driven by a single mainframe.

Stewart Wrightson's mini and micro-processors, which will all be Wangs, will be completely independent, with each machine "in charge" of its own data. Like most big international brokers, Stewart Wrightson writes the bulk of its own software—by far the most expensive part of any computer system

—because it is difficult to find standard packages which meet all its highly specialised needs.

Computer companies have tended to fall behind in developing software for the biggest insurance brokers and have found it far easier to create packages for the less extensive needs of the provincial broking market. The main reason is cost. It takes around £100,000 to develop a High Street broking package from scratch and it will attract enough customers to sell for between £10,000 and £20,000. A really sound package of that kind would automate the process of issuing papers of renewal, as well as collect and reconcile premium payments.

But it would cost at least £200,000 to develop the most basic system suitable for Lloyd's—and that would only attract two or three customers.

Mr David Brown, associate director responsible for the London insurance market for CMG computer consultants, says: "Choosing a common answer for a package approach is fraught with problems because brokers tend to want to do things differently." That is why his company concentrates on writing bespoke software for individual brokers rather than off-the-shelf packages.

Logsys Computer Services of Chorlton-on-Medlock, with the CMG philosophy but has a different approach. Although the systems it offers are based on standard packages the software is of such a quality that it is easily adaptable to clients' individual process requirements.

Its latest system, Libris III (Logsys Insurance Broking System) sells for up to £70,000, which includes three VDUs and other hardware.

### Adaptability

The system is capable of multi-currency accounting—particularly useful for reinsurance applications—financial modelling, risk analysis and automated documentation. It is based on a number of hardware sub-components, mostly Wangs, which contribute to adaptability. Four international brokers are using earlier versions of Libris and two more may buy Libris III.

"We didn't just sit down and develop a broking system," says Mr Stewart Ashton, chairman of Logsys. "What we have done is to fix our attention on making high quality software. This makes easier for us to tailor the system."

Hogg Robinson Systems, set up to market the facilities of its parent company's computer department, specifically for provincial brokers, believes there are more than economic arguments for a package approach to that market.

Mr Ron Watson, account manager for Hogg Robinson Systems, points out that a package like his own company's Computerised Broking Efficiency "has evolved. It is an accumulation of all the experience of all the people who have used it." It may be a long time before software packages for City brokers have evolved enough to meet their more extensive needs as fully as provincial packages do for High Street counterparts.

—William Dawkins

## Judgment on registration

CONTINUED FROM PREVIOUS PAGE

ent and a minimum number of years' experience.

The audit requirements did cause some problems in the initial days of registration, primarily because many brokers kept their accounts in a different form from that laid down in registration. The self-employed broker often had his business accounts combined with his personal accounts, many kept accounts in a haphazard fashion that the auditor as prepared to work with for schedule D returns but not for registration requirements.

However, queries on accounts are not now a major problem. Most insurance brokers are keeping accounts in the required form.

Several computer firms have spent time and money devising systems that can be used by

small- and medium-sized brokers to meet the registration accounting requirements.

It would appear that registration has made brokers follow the proper financial disciplines in running their businesses instead of keeping records on the backs of envelopes.

But the effectiveness of registration will ultimately depend on the success of the council in policing the brokers. Already there is a steady trickle of brokers being struck off the register after the disciplinary hearings held once a month.

Several have been struck off for dishonesty—these are invariably employees of insurance broking firms.

Others are being struck off for failing to maintain proper Professional Indemnity Insurance.

One of the main causes of complaint against the original registration proposals related to the PI insurance requirements. Many intermediaries protested that they did not need PI cover, since they handled all the business themselves and they regarded the premium required as excessive.

Some brokers are not maintaining the level of cover required as their business grows, and neglect to update it even though the PI market—like most other markets—is soft. Once brokers come to accept PI insurance as part of their business overheads, like fire and employers' liability, the problem will be much less.

Are the brokers themselves, especially the small firms, satisfied that registration has brought tangible benefits? After all, the Act does not stop anyone from acting as an insurance intermediary, just from using the title insurance broker if they are not registered.

The council is just starting to deal with registration renewals, and incidentally put up the registration fees on January 1 with only a handful of complaints. The retention fee was lifted from £15 to £20 and the business fee from £50 to £55. The previous fees were set in 1978.

There are some brokers attempting not to renew their registration, but this has to be done in a proper manner as laid down by the regulations. A broker cannot simply walk away from registration and trade under another title without explaining to the council why he is doing it.

Individuals have to come into registration with clean hands and they also have to leave registration with clean hands. So far, the registrar has found that most people who do not renew their registration cannot continue meeting the requirements. In this case, the council goes through the procedure of formally striking them off the register.

So far only a handful of intermediaries have walked away with a clean sheet. Of course there will be a steady stream of brokers not renewing simply because they have decided to retire or have reached retirement age. So it is still early days on which to base a judgment on the success or otherwise of registration. At this stage an observer might adopt a neutral attitude—registration has not

Risk management has come strongly to the fore in recent years, bringing a need for greater technical expertise

## Three factors either side of risk equation

WHEN A major insurance broker such as Sedgwick takes on the risk management consultancy of a highly complex technical project as the new Caracas Metro system, whose first stage opens this year, a 30-year trend turns a full circle.

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activity and a consideration of the possible consequences which would include a breakdown of the threats to which the group is exposed, how these threats arise and how they are increased or reduced.

The first two categories of risk identified are relatively easy to measure given access to historical loss data from the company itself, the sector in which it trades, and its principal country of operations. Property risk measurement must take into account the estimate of rebuilding costs and the extent to which the total exposure can be limited or reduced by fire protection and separation of buildings.

Flow charts are an effective tool to assess earnings risk and to apply values at risk at any point in the production trading process. If machinery is an essential capital item, downtime, the availability of spares and the capability to manufacture in-house are some of the factors to be considered. Analysis by the dependence on a particular supplier or customer will be needed to determine the extent to which their loss would affect the company.

Liability measurement, Mr Bawcutt admits, "is extremely hard". The impact of consumerism and changes in legal attitudes make it so given that the potential in many products liability cases can be astronomical, and the effect of pollution on major cities beyond comprehension.

Management has to realise that the sums at risk in these situations potentially add up to the total assets of the company and the only practical solution is to buy as much liability

control measures. It is becoming normal for most large UK companies to have at least £10m liability cover and in some cases this is as much as £50m. For airline operators, limits of £250m are normal.

Risk control is closely allied to the work that went into risk evaluation. That process will have enabled the company to weigh up the circumstances which entail risk and hence to determine the control required. Fire detection and protection devices are the obvious controls for the risk to property and earnings. But the extent to which a company introduces risk control is, of course, determined by the economic trade-off. The intention, as Mr Bawcutt remarks, "is to spend a specific amount of money now to reap benefits later."

### Control cost

The benefits expected to accrue from loss control need to be calculated both in terms of reducing the probability and the size of loss and by determining what it is worth to the company to reduce the expected possibility of loss when viewed against the cost of the control measures recommended.

The balance of this trade-off can very easily be weighted by an under-estimate of the cost of losses. Property losses include not just replacement or repair but the loss of earnings during the downtime, the loss of investigation and the loss of sales through the loss of ability of a piece of equipment. A major loss often means major delay. Rebuilding may take many months or years and the company may be forced to

safety and environmental standards not envisaged when the premises were first constructed. And a major loss, particularly one relating to a liability claim can involve staged insurance payments spread over several years.

Although a company's insurance manager, or risk manager as this post is now described more often than not, is usually able to eliminate a high degree of loss uncertainty, it is not possible to remove all trace of risk and the residual risks must be covered.

The risk financing target, the third element of risk management is to be able to meet after-loss expenses by replacing assets lost, replacing earnings that would otherwise have been achieved and paying for any additional special expenses. To meet that target, the risk manager may either decide to pay for losses from normal budgets, to create a special contingency reserve fund, or to buy insurance. Insurance purchases open up three further options: to buy insurance from the direct regular market, from the reinsurance market, or to set up a captive to service the company's insurance needs.

To determine how much risk a company should retain in-house it is worthwhile to estimate the total amount of losses that are not insured and retained within the company and then applying the company's risk-taking approach to the potential amount of risk. Mr Bawcutt believes, "For a normal company which is neither conservative nor a risk-taker a starting point could be one per cent of pre-tax profit plus any insurance premium saved by a self-insurance programme."



**Jenner Fenton Slade Ltd.**

**Independent Energy Insurance and Reinsurance Brokers**

**Walsingham House  
35 Seething Lane  
London EC3N 4AH**

and at Lloyd's

Telephone: 01-481 8118

Telex: 894567



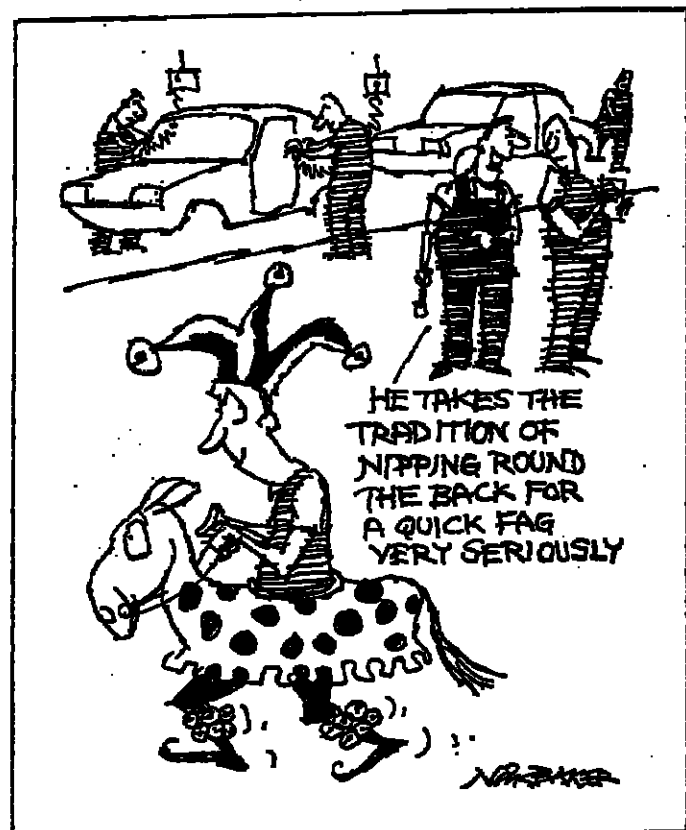




Paul Jennings reports on the song-fetling and towel boys at the root of the Cowley dispute

# A tale of industrial folk

EALLY is extraordinary, not one of the newspaper about the washing-time of BL at Cowley, or pro-management or work-force, attempted to go saying that the practice traditional. When Cecil was collecting English songs he found that Morris, as they then were, had since adapted an oldish illustration, a kind of washing and cleansing at the end of the day's work. The men filed into the washing-shed and stood at a trough, running the full length of the shed (and since replaced by elegant marble individual washers with its own hot-water, of course) and stood few moments in silence. A song-fetler, a man chosen for his deep int voice, intoned: "Be clear water and soap for clarity give us faith and hope charity such men replied, in roared chorus: "Oh hands and face a leave this place differentials and disparity ha HO!" could then suit the action - words, afterwards being d towels by the "towel boys" as Cowley apprentices know till the reorganisation of 1919. Sharp thought the ce went right back to n times. though this has been known a long time, it is only ty that social historians anthropologists have come to like it as not isolated sties but evidence for a new theory that old folklore and tradition, on disappearing with the trial Revolution, flourish richly than ever in factory mine, shipyard and mill. is now thought that the name of William Morris, Lord Nuffield, goes back to ncestor who was a folk r so famous in his day he gave his name to the century revival of one r specialised branch of it, kind with bells on the ers, waving handkerchiefs clashing staves that you se done by urban ntants outside rural pubs. t at any factory you can something far older, such e Old Trades Dance, where actions of men winding a



This is thought to have originated in Quaker-owned chocolate factories and then spread to other industries.

Longbridge, recently the centre of so much strife, has a relationship with the area, partly political and partly industrial, which has roots going back to an untraceable past. The Austin Chamberlains occupied a position not unlike that of the Mayors of the Palace in the Carolingian era. The local name for elevenpence, the "lickey" has enshrined for ever the ruinous battle, centuries ago, between these proud officials and the people over their "lickey rights"; and the people's victory, after the historic mass meeting addressed by "Red Neil" on what were then the open waste heathlands of the Bromsgrove Heights is the origin of today's "Lickey Hills". It is not generally known that another right won at this time was free ice cream for the child of any free worker who uttered the cry "Lickey Lot" three times within the hearing of an ice cream van, an ambulance or a coffin.

The West Midlands, in fact, is particularly rich in these traditions.

There are many versions of the ancient Trade Name Spell, a rhythmic incantation intended to ward off evil imports and ensure the output of cars and motor-cycles. This one has been noted in an area extending from Birmingham to Derby:—  
Humber Hillman Standard  
Come back when the time shall judge  
Francis-Barnett, AJS,  
Clyno, Riley, each man's guess,  
Singer, Alvis, Jowett, be  
Charmed with Armstrong -  
Siddley,  
Norton too, and BSA,  
Let joy go and let you stay  
Wheely wheely  
Make us freely  
Old is good and eke always  
Tomorrow worse than yesterday  
Hot ha HO!

There is no room here to go into the so-called "Brazier Songs", born of long years of night-picketing, of which we have the oldest tradition in the world; of manager's-head football, foreman-burning, and many other aspects of our rich industrial folklore. But I hope I have said enough to make it clear that there is more than mere washing, as such, behind the Cowley dispute.

line with her arrival. For many years now she has been replaced by an automatic vending machine, which the men can patronise any time they feel like it so long as they can run to it, get their tea or coffee and run back to their places without spilling any and without stopping their work.

But at exactly the same time every mid-morning and mid-afternoon the line does stop for about 40 seconds when the Straw Tea Woman, often an elaborate figure made by older workers in the last six months before their redundancy, is wheeled in. The men then either recite or sing a rhyme which varies from region to region (a forthcoming collection by Professor R. H. Dingwall, Head of the Industrial Folklore Department at Leeds University, will show their astonishing richness and diversity); in many Clydeside shipyards they sing:

Gie us a cup sea bluidy hot  
It's half an hour tea drink the lot  
whilst a western version is:  
Bless thee, mother, tea and cake  
Thy sons have earned a nice long break

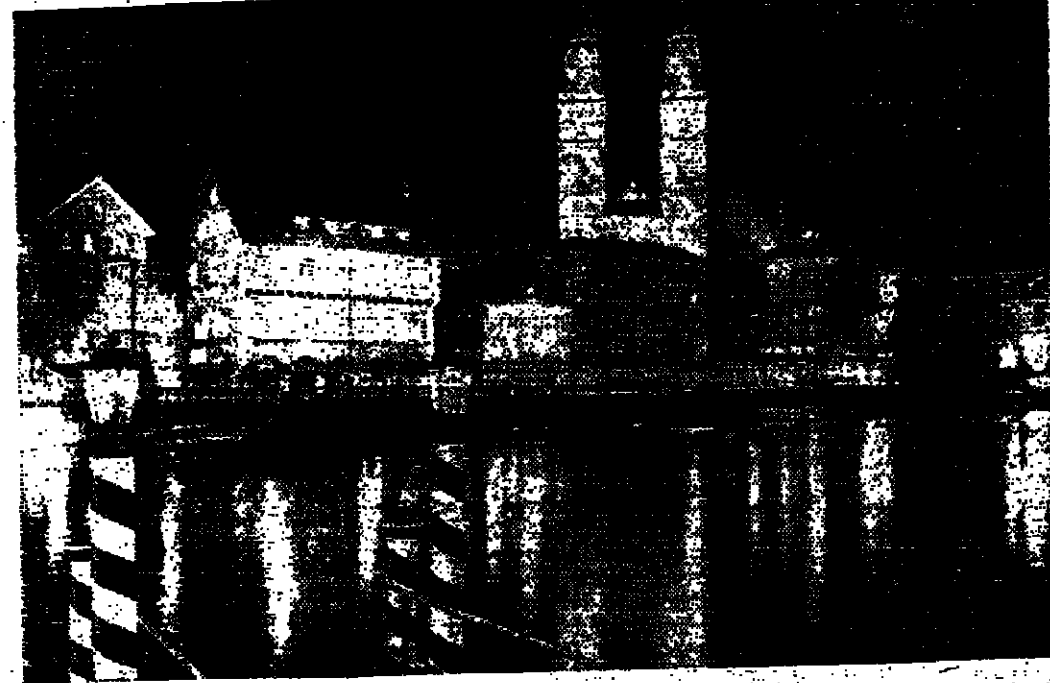
magneto, turning a starting handle, boring holes for the bottom lugs of celluloid side-screens in "touring cars," inserting these screens, or miming the irregular rhythms of bygone pneumatic windscreen wipers, are skillfully incorporated into a dance, often to a tune called "Mr Fawcett's Jig," named after a 19th-century shop steward who preserved all these trades in the teeth of management opposition for many years. Variations of the "Straw Tea Woman" rhyme are found throughout the country. In most factories with continuous production lines the "tea lady" who appeared with her old-fashioned, rattling trolley, uncertainly steered on wobbling castors, with her big aluminium teapot, bowl of sugar, and often accompanying sales tray of chocolate, clothes pegs, razor blades, cigarette papers, small pornographic magazines etc was unpredictable as to exact time of arrival, depending on sales in previous departments, day of the week and various other factors, that it became increasingly difficult to time the temporary halt of the assembly

## Of gnomes and mountains

IN A SHOP DOORWAY, a lone guitarist strummed quietly to himself. Round the corner, passers-by paused in a narrow street to listen to a group of young pop musicians. The sound of jazz issued from a nearby bar and, across the river, past the protest slogans, exotically dressed young men sped, sometimes backwards, down a main thoroughfare on silent roller skates. Was this really Zurich and where, we wondered, had all the "gnomes" gone?

I had forgotten it was such an attractive place, its older district piled upon either side of the Limmat river as it flows out of the lake of Zurich. It is a city of bridges and very many charming prospects dominated by the spires of Grossmünster and Fraumünster (with those fabulous painted glass windows by Chagall), of historic buildings and fine museums, of nooks and crannies and bars and cafés, full of smoke and conviviality. And also a city of considerable sophistication for, in the end, the "gnomes" are comfortably there, too, as you pass the glossy displays of fashionable Bahnhofstrasse and reach Paradeplatz where, in the windows of the Swiss Bank Corporation, the world's latest financial facts and figures wink out at you from television screens.

Like most Swiss towns and resorts, Zurich offers some special packages. A 2-night week-end arrangement, for example, costs about 100-170 SwFr, depending on hotel category, for b. and b. with bath, and a host of goodies such as free public transport for 24 hours, city sightseeing, a variety of reductions in entrance fees, and coffee and cake or a drink in various restaurants and bars, not to mention "many other surprises". And, of course, this is also a natural springboard for a selection of stupendous Alpine roundabouts some of whose highlights are encapsulated in the Glacier Express tour, featuring the 150-mile narrow gauge rail route that links St



The Grossmünster towering over Limmatquai, Zurich

## TRAVEL

SYLVIE NICKLES

Moritz with Zermatt through 91 tunnels and across 231 bridges across the roof of Europe.

We settled for a less famous and only slightly less dramatic itinerary to that rather neglected chunk of mountain country tucked in between Lake Constance and the upper Rhine. Appenzell, apart from producing one of my favourite cheeses, was one of the earlier mountain cantons to join the embryonic Swiss Confederation in the 15th century. It is the name of an extremely pretty lowland town as well as the canton whose mountain peaks rear up to the south of it, culminating in Säntis (2,504 metres) beneath which lies a string of pleasant winter sports resorts, such as Alt St Johann, Unterwasser, Wildhaus. In summer, it's a fabulous walking country, uncrowded even at the height of summer when you can walk through Alpine meadows waist-high in wild flowers.

Old traditions die very hard here. It is one of the few places where local government is still practised by *landsgemeinde*—a vote by show of hands (men only)—this is also the last Swiss canton where

women do not yet have the local vote) at an annual open air gathering on the last Sunday in April in Appenzell. A major feature of this highly photogenic little town are the painted facades of the houses, a tradition that dates back to the 16th century, was abandoned for a couple of hundred years and revived around 1930, in many cases reverting to original folkloric motifs. The effect is delightful.

From the Appenzell resorts, it's a steep plunge by road down to the upper Rhine and a short hop across to the matching mountain barriers of Liechtenstein. It's easy to dismiss the Principality simply as a quaint little Rurarian tax haven. In fact, despite the extremely rugged mountains that make up two-thirds of it, it claims to be the most highly industrialised country in the world, its mainly light industries including such varied products as, precision instruments, false teeth and edible skins for sausages.

Head of state is H.S.H. Prince Franz Joseph II whose story-book castle (not open to the public) stands out against the mountainside above Vaduz. Parliament consists of 15 members (women don't have the vote here, either—nor, apparently, do they want it), and nearly a third of the population of 26,000 are foreigners.

A high proportion of Liechtenstein's visitors come on a

day trip, some simply to collect another stamp in their passports which they don't even need to present if entering from Switzerland, but which they can get franked (by special agreement with Bern) for a very nominal fee at the tourist office in Vaduz. This, the Principality's capital and only town, sprawls at the foot of the mountains close to the Rhine. It hums with the activity of its transient guests few of whom were to be found in the town's three excellent museums that sultry day in late July. One exhibits part of the Prince's art collection, including some superb Rubens. Another is the famous Philately Museum, and the third, the National Museum, concentrates on history.

High above Vaduz are the mountain resorts such as Triengen and its many surrounding hamlets, and Malbun, reached through a tunnel. They make idyllic settings for a quiet holiday in one of many small family run hotels, with a choice of walks along 300 km of marked trails, one of which follows the sky-line high above the upper Rhine valley.

Further information: Swiss National Tourist Office, Swiss Centre, 1 New Coventry Street, London W1V 3HG; Liechtenstein National Tourist Office, 9490 Vaduz, Principality of Liechtenstein.

## Delights such as angel's trumpet

### GARDENING

ARTHUR HELLIER

ANYONE who has visited almost any of the popular warm holiday resorts in winter or spring must have noticed fine bushy plants carrying large, dangling, trumpet-shaped scented flowers, usually white though sometimes flushed with pink or apricot. These are the angel's trumpets, various species and hybrids of *Datura* which are mainly natives of Central and Southern America but are now widely grown all over the world because of their beauty, long flowering season and ease of cultivation.

One kind, *Datura sanguinea*, comes from Peru and is sufficiently hardy to be grown outdoors in very mild, sheltered parts of Britain, but it is the least attractive of the family because its flowers, though flushed with orange, are tubular rather than flared into a shapely trumpet. Nevertheless it is an uncommon and highly distinctive plant which never fails to attract attention and it is not in the least difficult to grow, provided it does not get too cold. It will survive a few degrees of frost and will often sprout up from the base even when all the rather pappy branches have been killed. Like all *Daturas* it can be readily increased by cuttings in a warm propagator in spring or summer.

But it is about the real angel's trumpets and in particular about *Datura suaveolens*, or the plant that passes under that name in gardens, that I want to write now. The naming

of *Datura* is obscure, despite the fact that they are so widely cultivated (or perhaps because of this, since different names have been used in different places) and *D. suaveolens* is no exception.

In Britain, if you are offered seeds or plants of *D. arborea* it is likely to prove the same or so much like *D. suaveolens* as to make no difference. And *D. knightii*, whatever the books may say, will prove to be a double-flowered variation on otherwise similar lines, that is to say a rather open-branched bush with stout stems, large downy leaves, and long, completely pendant flowers.

Use in Britain is primarily as tub plants to be given protection from frost in winter and then trundled out on to patio or terrace in early summer to give delight until the threat of autumn frosts. This suggests the wisdom of taking the plants back into shelter again whether it be in a cool greenhouse, conservatory or any modern equivalent of an old fashioned orangery. Plants can be pruned then so that they take up less space or, if the temperature is sufficiently high, they can be left to go on flowering as long as they feel inclined to do so.

There are other sub-tropical plants that can be grown in the same easy going way. *Plumbago*

*capensis* comes from South Africa and is by nature a weak stemmed shrub that sprawls about needing such support as it may among stiffer stemmed plants.

It is just about as hardy as *Datura sanguinea* which means that it can be grown out of doors in a few very favourable parts of Britain but in most places must be given frost protection in winter. Apart from this there is no difficulty at all in growing it in a tub in good quality loam or even in peat potting compost, though this may need to be renewed more frequently. Like the angel's trumpets it will keep a patio interestingly exotic for months on end and each autumn it can be cut back moderately so that it takes up less room while under cover.

Much the same applies to the ivy-leaved geranium, another long flowering South African plant that has always been overshadowed by the popular bedding geraniums. The ivy-leaved species has never been developed to anything like the same degree and the best varieties are still the very old pale pink *Mink* Crousse and deeper rose-pink *Galles* though scarlet, mauve and variegated varieties are available. Nor has it yet proved possible to raise ivy-leaved geraniums true to colour from seed but this deficiency may soon be rectified since this year seed of trailing geraniums in named varieties is available for the first time. These do not appear to be true ivy-leaved varieties. They are probably hybrids out into the open more often.

between them and the more bushy bedding geraniums but it is a start in the right direction and may well prove the long run to extend the range and usefulness of trailing geraniums.

The true ivy-leaved varieties can attain considerable size if grown on from year to year. In the south of Spain I have seen *Galles* penetrating the large cypress hedge and covering it with pink blossom. Ivy-leaved varieties will survive a few degrees of frost if the cold weather does not last too long and may be seen well established in some south coast and Channel Island gardens. But the safe way to grow them is in tubs and hanging baskets which can be moved into protection from October to May and only used outdoors when the weather is settled.

Nor should the Regal pelargoniums be overlooked. They are bushy plants like the bedding geraniums, but with larger flowers often blotched with a dark colour on a lighter one and always highly decorative. They do not flower for so long a period as the bedding varieties but so have been more as greenhouse pot plants than outdoors but they grow well in tubs and can certainly be kept flowering until August, and can be starting to flower by April in a moderately warmed greenhouse. But that would be too early to risk them out of doors although from early June they should be quite safe and it is time they came out into the open more often.

## In praise of farmers' glory

### COUNTRY NOTES

JOHN CHERRINGTON

IN THE early months of 1932 I was working as an assistant manager on an Estancia, a cattle ranch, in Argentina. The land was dead flat, very dry, hot and dusty and my prospects of advancement slow to say the least of it. A manager's job might be mine at 40 plus—20 years on—with a pretty dreary period in between. Then I received a belated Christmas present, a book, which aroused in me the deepest longing for the English, and in particular the Wiltshire countryside.

It was *Farmers' Glory*, by A. G. Street, quite the best description of south country farming that I have ever read and of the country life which centred round it. Until I read the book I had no idea how farming had been adapted to the Wiltshire hills and valleys. Many of the farms were long and narrow running from the water meadows which had been laid out next to the chalk streams to the arable lands on the lower slopes and then to the downs above.

The water meadows used to be flooded in the spring for early grass, not as you might think for irrigation but because the streams which are constantly replenished by springs are of a consistently higher temperature.

This was the task of the droveman and there was rivalry between these experts along the valleys as to who should be the first to have enough grass for his boss's cows.

There are no drovemen now that I know of, and it is years since I saw a properly managed water meadow. But the remains of the sluices and ditches are still to be seen and early growth is stimulated by nitrogen from a bag more efficiently perhaps, but not so romantically.

The arable land was fertilised by the sheep, of which every farm had a flock. These would be part of the four course rotation which in effect meant that over four years half the arable land would have grown feed, turnips or clover on which the sheep fed and the other half wheat and barley for cash sales.

For the rest of the year the sheep were kept on the downland, of which all these farms had quite a large acreage. These are common to this type of country and many people exploit the beauty of the short downland grasses and the

orchids and other plants that flourish on them. In actual fact they were most unproductive, and their short herbage as much the consequence of constant grazing by rabbits and infertility as any natural inherent goodness.

In fact they were probably man made. The downs were the first areas to be cultivated in Britain. One can see the iron age fields or lynchetts everywhere. The soil is a sort of peat, locally known as puffy, and when it was ploughed up during the war found to be very infertile or at least would not grow good crops. One day a friend of mine, almost by accident, sprayed some wheat on his farm with a trace element, two ounces of copper an acre and thenceforth his downland yielded as well as the rest of his farm. Obviously to my mind the early farmer had destroyed soil fertility and sheep grazing was the only use for it until the answer was found.

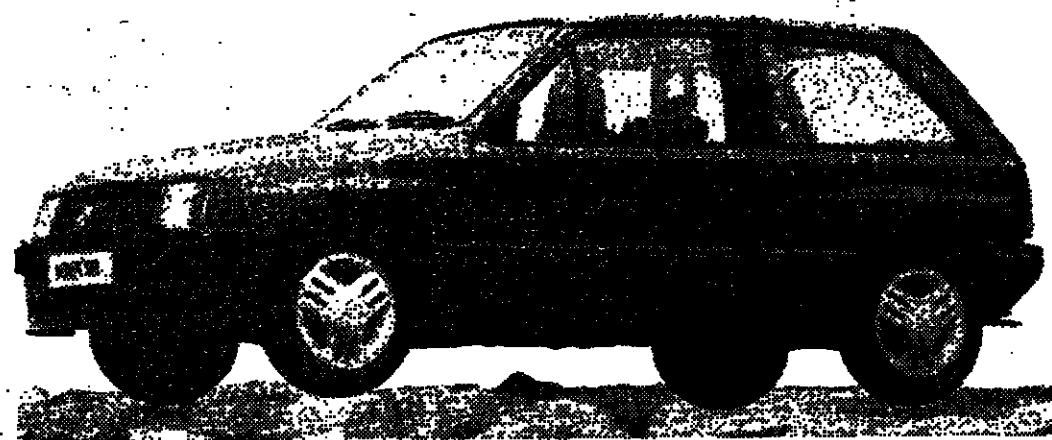
In this book Street first pictures an almost balmy period before World War I, when his father's farm was well staffed with a collection of worthy peasants making the best of some very deplorable social conditions. Low wages, bad housing and arbitrary

employers, the whole regulated by the drying grips of the feudal system, against which his father, a man before his time, was best to fight, or at least show his independence.

Then after a period in Canada, Street returned, and eventually took over his father's tenancy, only to have to face the collapse of all the glory, and as he told me himself, almost certain bankruptcy. He did get back on his feet again by milking cows and selling the milk in Salisbury from his own van.

*Farmers' Glory* is essential reading for anyone who wishes to understand the changes that were forced onto British farming and the countryside by economic conditions between the wars. It's true as I said the water meadows are no more; sheep no longer fertilise the arable lands and most of the downland except the steepest slopes are under crop or good grass.

Nevertheless Wiltshire where I have farmed for nearly 50 years is still a most beautiful country and so has Wiltshire Valley where Street used to farm is still in its essentials as lovely as ever. I am glad this book has been republished. *Farmers' Glory*, A. G. Street, Oxford Paperbacks, £2.95



The German-designed Spanish assembled Vauxhall Nova SR hatchback due in the UK in July

## MOTURING

STUART MARSHALL

In essence, a Nova is a smaller-scale Astra but it doesn't feel like a little car on the road. The McPherson strut independent front suspension and compound crank rear suspension—the latter claimed to give the benefits but not the complication of an independent layout—make the Nova ride firmly but comfortably on most surfaces.

The Nova is identical to the Opel Corsa, which has been on sale in left-hand drive European markets for some months. A 1.3-litre Nova SR with a more powerful engine developing 69 horsepower against the 1-litre model's 45 bhp and the 1.2-litre car's 54 bhp will reach Britain in July. The SR is more than cosmetically different. The suspension has been stiffened up. Recaro sports seats are fitted and equipment includes sports wheels, a radio/stereo tape player and tinted glass.

Standard equipment is a four-speed gearbox though a five-speeder, standard on the Nova 1.3SR, will be an optional extra on the smaller engine models. The 1-litre hatchback in which I did most of my driving ran willingly up to 65 mph in third gear and would sustain 70-75 mph indefinitely, with another 10 mph or so in hand. The 1.2 litre's top speed is 94 mph and the 1.3 SR, which I have not yet

tried, will, Vauxhall say, be good for 100 mph.

The fuel tank—large for this class of car—holds over nine gallons, which will take a light footed Nova driver a long way between fill-ups. Constant speed consumptions of 60.1 mpg at 56 mph are claimed for the 1-litre and 1.2 Novas. The 1-litre's urban consumption is 37.1 mpg, 4 mpg better than that of the larger engine car, which is marginally more economical at a constant 75 mph—44.8 mpg against 44 mpg.

Because of its relatively long 7 ft 8 in wheelbase and wide track, the Nova has a feeling of spaciousness. The doors open wide for reasonably easy access to the back seats. The driving seat went back far enough to suit my long legs but a further inch adjustment is possible by simple workshop adjustment. Bumpers are of plastic and sensibly stout mouldings protect the side panels from careless door-openers.

## Michelin's U-turn

AFTER PROCLAIMING for years that a fat, ultra-low profile tyre needed a special, non-standard wheel, Michelin has made a U-turn. Their new MX V will fit standard, inch-sized wheels, just like Pirelli's P6 and all the other 60 series tyres that have become so popular.

The Michelin TRX range of tyres—the kind that need special wheels of millimetric diameter—will continue to be made and developed. They are used by Ford (the Granada), BMW (the coupés and 7-series saloons) and all French car makers, mainly on up-market models. The new MX V will be made in various section widths from narrow 80 series to fat 60s and even lower profiles may be in prospect. The tyre will compete both with Michelin's own TRX and all the others of 60 series in a market currently dominated by Pirelli. Michelin says the new MX V offers a combination of comfort,

wet grip and long life never previously achieved in an HR (that is, safe at speeds of up to 130 mph) tyre. I tried it briefly in 70-series cross-section around Michelin's five-mile-long high speed circuit near Clermont Ferrand at speeds of up to 126 mph in a Rover 3500. It was exceptionally quiet, even though I was hitting cobblestones as I came off the banking at over 100 mph.

MX is a family of tyres. The basic one replaces the XXZ, for long the world's best selling radial tyre. The XXZ was renowned for long life and low rolling resistance. MX is even better and has superior wet grip. A fatter, 70 series version of MX, the MX L, is said to have the same rolling resistance (and thus fuel saving capability) as the 80 series MX but will last even longer and hold the road better. And MX V replaces the veteran XVS. The new tyres will be available immediately.

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## HOW TO SPEND IT

by Lucia van der Post

## Come into the garden

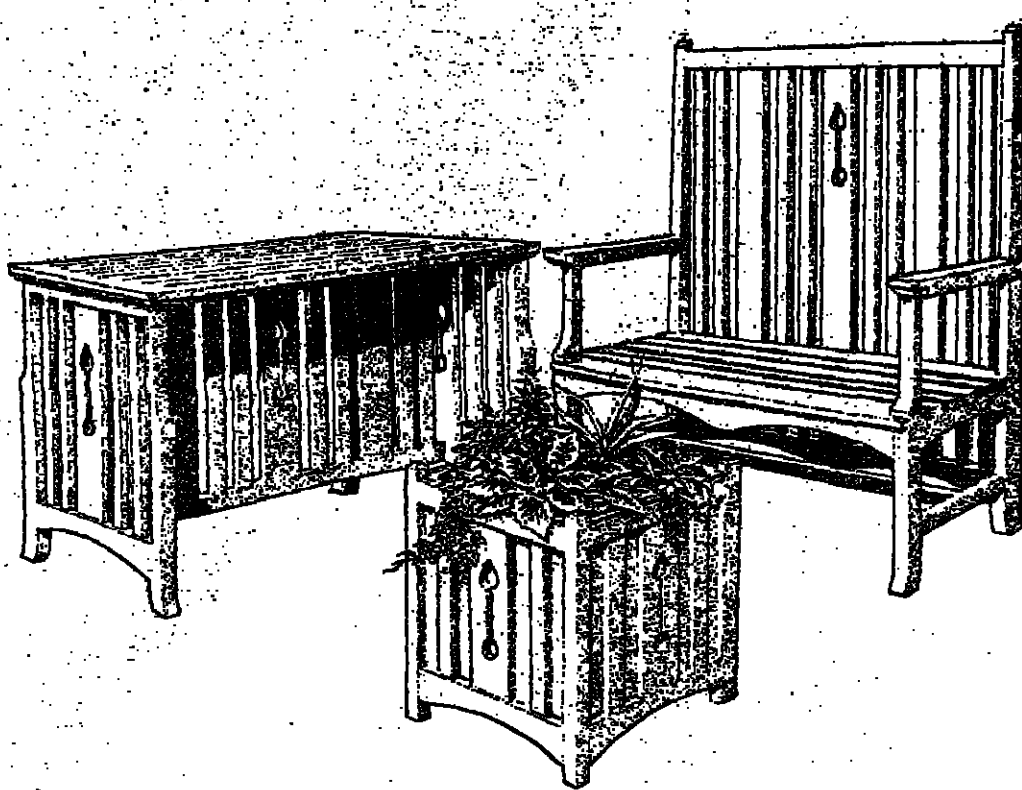
ON THE WHOLE the British don't need much encouragement when it comes to their gardens—the armies of weekend-greenfingers who can be seen at weekends and bank holidays besieging the garden centres, seeking ways of brightening up their patch, whether it be a patio, a window-box or a proper country garden. According to Fisons, the horticultural giant, Britain is a good 15 years ahead of the U.S. in gardening skills.

Anybody wanting yet further inspiration or advice will find that from Monday Liberty of Regent Street, London-W1, has turned large portions of the shop into one of the most delightful indoor garden centres in London.

There will be a huge Tudor greenhouse on the ground floor filled with plants, both indoor and outdoor, from Thomas Reckford and Blooms of Bressingham. There will be experts on hand to advise on everything horticultural, whether it be on growing window boxes, planting out, how to turn your hydrangeas blue or what weeds-killers you should use.

Besides the finished results, the plants in full and glorious bloom, there will be ample displays and stands of all the more down-to-earth basics that bring the miracle about—a selection of Bulldog tools, both the lightest and the most modern, and a fascinating display of traditional regional tools, from the round-mouthed shovel from the West Country to the solid strapped draining tool from Newcastle.

Though much of the merchandise on display is of the sort that can be found in shops up and down the country, Liberty has got together some very exclusive lines, some of which are featured elsewhere on the page. In addition there is a selection of antique garden furniture, including the newly-fashionable Lloyd Loom chairs (in a selection of colours, some with upholstered seats, some left as they were) and garden seats from the famous Coalbrookdale workshops.



Peter North

THE Archibald garden furniture, sketched above, is a small collection of four pieces of wooden furniture, which was devised by Richard Stewart-Liberty of Liberty and the Chatsworth carpenters, to be sold exclusively at Liberty. Chatsworth (seat of the Duke of Devonshire) already makes and sells a collection of its own (period-style) garden furniture which was designed in collaboration with David Almaric, the interior designer.

It seemed natural, therefore, to Richard Stewart-Liberty to go to the Chatsworth carpenters with his own ideas. He wanted furniture designed with the Liberty tradition in mind and took along some of the store's own archive designs. The shop has always had strong links with the Arts and Crafts movement, with the work of Voysey, Archibald Knox, William Morris, and anybody.

There will be up-to-date garden furniture for all tastes, from the austere modern Attitude range (shown below), to the richly upholstered Hollywood-style chaise-longues, swing-seats and matching awnings. If you just have a patio there will be lots for you—things

looking at the drawings will recognise immediately the furniture's design heritage.

The tall back of the sofa, the Arts and Crafts motif in the centre, are all immensely reminiscent of the work of Charles Rennie Mackintosh and other designers of the period. The furniture, as you can see, is made of slatted wood. The whole range is painted white and though it really is not meant to be left out in all weathers, those who have nowhere to store it will find it surprisingly durable.

The high-backed sofa (135 cms high by 120 cms long) is £215, the matching high-backed chair is £155. The table, 121 cms by 61 cms by 77 cms, is £225 and the tub or planter is £95, 45 cms square.

This range, known as the Archibald Collection, can only be bought at Liberty.

Left, a collection of gardening aids for those who are not as agile or as strong as they might be.

The Easy Wheeler (by Corrie) is a lightweight wheelbarrow made from galvanised steel with a single-handle for easy movement. It was designed specifically with women or the elderly or disabled in mind, as it can be tipped up with very little effort and guided around easily. It holds 2 cubic feet of leaves or garden rubbish, and costs £26.33.

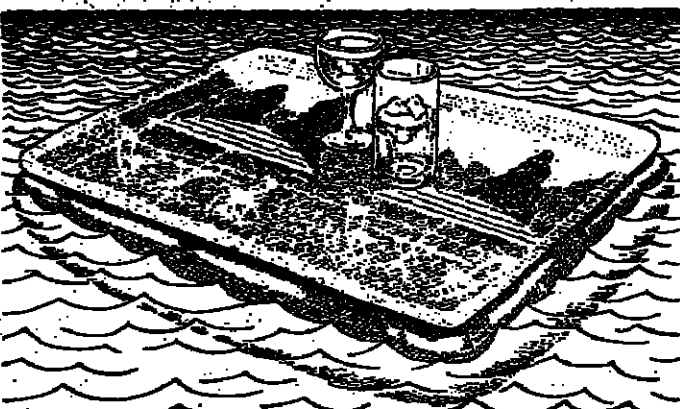
Resting beside it are some very lightweight gardening tools, again particularly useful for those who cannot bend or move too easily. The Grabber Hoe and the Grabber Rake, can both be operated by simply pushing a lever and each costs £14. Both are made by Wilkinson Sword.



Michael Daley

PROTEC Pordenone is an Italian company whose main business is selling heavy engineering goods. However, for fun, they have produced a range of small domestic utensils—including a series of bottle openers of varying designs, and the barbecue tools sketched above—all of which have a robust, industrial look.

The whole range is made in combinations of black and bright green plastic—which is used for handles and some trimmings—and aluminium or steel. The tools above are not just good to look at—the fork for handling sausages and meat has a push-button which pushes the meat off the end of the fork, while the tongs have a similar mechanism which grabs the piece of food and then easily releases it. They come as a pair called the Spidy Jolly and cost £22.95.



Michael Daley

JUST what every swimming pool needs—an inflatable tray to make sure no swimmer is parted from his liquid refreshments for too long. The melamine tray comes from France, in a variety of designs and the inflatable base may either be blue or transparent. If you haven't a swimming pool, there are plain versions without inflatable bases which make useful and decorative trays. £14.95 each from Liberty of Regent Street, London W1 and leading gift shops around

For poolside or patio living there is also a whole collection of charming but tough tableware—things like Gazzini's acrylic range of glasses, tumblers, trays and bowls. There is also a very attractive tableware set made from melamine which has a creamy background with small, multi-coloured flowers, all at very good prices—£1.50 for the plates, 95p for the small plate and the collection of salad bowls in various sizes cost no more than £4.95 for the

## Freshe pasta

BY JULIE HAMILTON



Lodwidge

THE GOODS on sale in our major supermarkets seem to get more exotic (mangoes, lychees, very cheap avocados, okra, etc.) and more exciting every visit I make. The most recent cause for pleasure is my discovery that fresh pasta is now (and has been for a while) on sale in Safeways and Waitrose and many other delicatessens and stores.

Among the Safeway's pasta offerings there is fresh tortellini (250g at 78p; fresh ravioli 250g at 78p; both excellent. Then there are complete dishes, ravioli with Napolitan sauce 500g at 97p; spaghetti bolognese 500g at 97p; lasagne 500g at 88p. Best of all is the tortelloni (ricotta) 250g at 91p. It is green and wonderful: served simply with sage butter poured all over and fresh Parmesan—it must be fresh if possible.

The wholewheat tagliatelli (250g at 62p) is also terrific, served with a seafood sauce (recipe to follow). Also on sale are lasagne sheets (250g at 62p) and paglia-e-fieno (white and green noodles 250g at 62p). Remember these are all freshly-made pastas that have not been dried and therefore will not keep for long. In fact, the sooner they are eaten the better.

So the influence of Italy is forever growing on our kitchens and a good thing too because it can be a most economical—as well as delicious—way of providing a meal.

A new book published this month called "Italian Regional Cooking, New and Old," by Anna Martini (Century Publishing, £9.95). It does not tell us anything about the author, which makes it a little impersonal, and one or two things have suffered in the translation which must have been done by an American, judging by the spelling.

The use of American measurements is confusing, especially when you come to tablespoons since it seems Americans have much smaller spoons than we do—three of theirs equal two of ours.

That said, the book is fascinating and full of useful information. There is a marvelous section on Italian cured meats and sausages and another on Italian cheeses. There are several recipes which I cannot wait to try, many of them are basically peasant dishes, using wholesome ingredients with great simplicity.

## PASTA COI BROCCOLI "ARRIMINATA"

As the recipes in the book move south, down to Campania, Calabria and on to Sicily, so the

pasta-ideas became more and more exciting, especially in their use of vegetables. Clearly, as the poverty level increases so we find greater inventiveness in the recipes and an increasing use of vegetables. From the many Sicilian recipes I have selected this pasta with broccoli and pine nuts as the most appealing.

4 anchovy fillets; 2 oz sultanas; 1 large head of broccoli or 1 small cauliflower; 1 small onion; 3/4 lb olive oil; 14 oz ripe or canned tomatoes; 2 oz pine nuts; 1 lb macaroni or penne; 2 oz grated pecorino cheese; 3 fresh basil leaves.

Soak the sultanas in warm water for 20 minutes. Break the broccoli or cauliflower into florets and steam them until tender, but still with plenty of bite, and keep warm. Slice the onions into fine rings and sauté in four tablespoons of olive oil until translucent. Skin, de-seed and chop the tomatoes (if canned, put through a food mill); add them to the onions

and simmer for a few minutes.

Add the broccoli, cover and keep warm over a very low heat. Mash the anchovy fillets to a paste, using a fork, over a very low heat in a tablespoon of oil, then add them to the vegetable mixture. Adjust the seasoning. Drain the sultanas and, with the pine nuts, gently mix them into the sauce, being careful not to break up the florets. Cook the pasta in plenty of boiling salted water. When cooked to your liking, transfer to a heated serving bowl and add the sauce. Chop the basil leaves, mix them with the grated cheese and sprinkle over. Serve at once while very hot.

## MIXED SEAFOOD SAUCE

Now for my mixed seafood sauce for wholewheat pasta—spaghetti or tagliatelli. It serves six generously.

2 14 oz cans tomatoes; 4 oz plain frozen mussels; 4 oz

plain frozen cockles; 4 peeled frozen prawns; 6 fresh squid tubes; 8 oz 1st whole unpeeled prawns; good bunch parsley; sm handful fresh thyme; 4 cl garlic; 2 oz butter; 4 fat spoons olive oil; plenty pepper; 1 or 2 teaspoons anchovy essence; just over 1 lb wholewheat spaghetti tagliatelli; some season flour.

Heat one tablespoon of oil and add one clove of garlic to it. Let it brown lightly, then add the tomatoes which have passed through a mill to remove the seeds. Bring to simmering point, add anchovy essence, some pepper and cook until reduced by half.

Chop the rest of the garlic finely with the parsley thyme. Gently heat two tablespoons of the oil in a frying pan (or better still a non-stick wok), add the herbs, fry gently for a minute and pull off the heat.

Using scissors, cut the squid tubes into rings and toss seasoned flour. Heat one of the butter with the remaining oil in a separate frying pan and fry the squid, a few at a time until lightly crisp golden. Remove from the heat and keep warm until needed. Reheat the oil with the herbs the mussels in season flour and gently and briefly fry in the oil with herbs. Add the cockles, tossed in flour, mix well together and cook for a minute.

Add the now reduced tomato sauce and the peeled prawns, bring to simmering point and turn off the heat. Quickly cook the pasta in plenty of salted water and heat a large serving bowl (this can be achieved by placing the colander in and straining the pasta away so that the hot water is in the bowl). While the pasta is cooking, fry the whole prawns in the remaining butter until heated well through.

To serve, tip the pasta into the bowl, pour the sauce on and mix slightly. Then add the squid and decorate with whole prawns. Serve at once. Finally, don't forget the pasta is surprisingly good cold. Toss it in olive oil after cooking, then just before serving coat it with a salad dressing of any combination of meat or vegetables that you like. Anchovies and sweet pepper with penne, or noodle bowls with cream, chopped smoked salmon and dill. It is also worth trying combinations of cold pasta: a dried cold turkey or chicken enlivened with chopped rapeseed, gherkins, red pepper, parsley and freshly ground black pepper.

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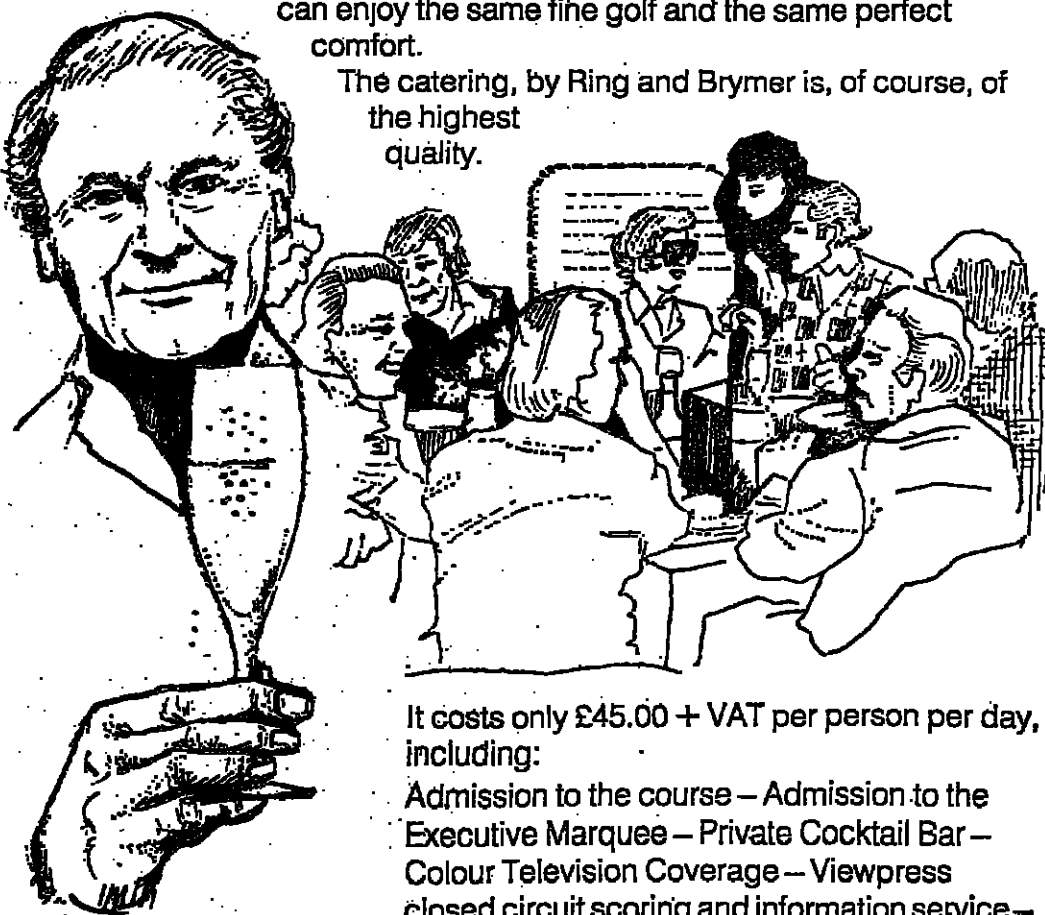
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## FINANCIAL TIMES

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Saturday April 30 1983

Equities and  
sound money

WHEN THE prospect of good returns from Imperial Chemical Industries sends the British equity market to new peaks, as did this week, it is tempting to think that there cannot be much wrong with the British capital markets and that it will be well with the real economy in due course.

Certainly, the economic picture looks better than it has for a long time. Quite apart from the excellent first quarter figures from ICI, the latest industrial trends survey from the Confederation of British Industry (whose forecasting record commands respect) portrays a sharp upturn in business confidence. Sterling has admittedly risen fast since these findings were taken, which cannot improve export prospects. There is solid reassurance in the news that a larger proportion of companies has reported a rise in output than any time since July 1979, the peak of the previous economic cycle.

## Old fashioned

All this provides the background for a very old-fashioned kind of equity boom, in which the honest virtues of the manufacturing sector shine through. The froth on top of the market is no longer in the financial and property sectors, but in the technology and other sectors quoted on the Unlisted Securities Market.

Nor is it just in Britain that conventional stocks with a venerable pedigree have been performing well. The boom in share prices in West Germany reflects optimism about the prospective earnings of cyclical and capital-intensive enterprise. So, too, on Wall Street, where the Dow Jones Industrial Average—that embodiment of all that is worthy in American manufacturing—also hit a new record this week. Not only have the likes of IBM found their way back into favour with investors, but the motor industry, chemicals and even banks have been giving investors a run for their money.

The odd man out in this respect is Japan, which has reached new stock market peaks by a different route. Investors appear lately to have been as much interested in assets as earnings and some of the leading electronics companies have performed less spectacularly than in the past.

In an increasingly protectionist world it is certainly logical that shares in declining industries in the U.S. and Western Europe should make up some ground against those in growth sectors in Japan. Inevitably investors in Japan have much less recovery to look forward to since their market is the only one to have shown much growth over the past decade in inflation-adjusted terms, even at these "record" levels. London, Frankfurt and Wall Street have failed dismally

to maintain or increase the real value of the capital of many long-term investors.

Yet there are growing signs that capital markets in Britain and the United States are not just looking forward to the economic upturn, but reflecting an important shift in portfolio preferences.

In the 1970s the dominant influences on the shape of institutional portfolios in Britain were the growth in the size of the government's budget deficit and the change in the pattern of liabilities within the financial system, reflecting the growth of occupational pensions related to final pay. Against their natural inclination the biggest investors in the market, the pension funds, increased their holdings of fixed interest government stock over the period to yield high nominal rates of interest. Corporate debentures and loan stocks were run down, since industry could not afford to pay high nominal rates. Equity holdings increased modestly, while investment in commercial property, which provided the next best thing to a hedge against pay-related liabilities, came close to doubling as a percentage of the average pension fund portfolio between 1970 and 1980.

Under the present government the public sector borrowing requirement has declined as a percentage of gross national product and inflation is down to less than 5 per cent. Fixed interest stock is back in fashion and index-linked government bonds provide an alternative to property for those who wish to hedge against inflation. A key objective of funding policy is to leave room at the long end of the gilt-edged market for corporate debenture issues.

## Property market

Equities, meantime, may well be one of the beneficiaries of declining enthusiasm for commercial property. Because of the long term nature of investment commitments in the property market, this is not fully reflected in official figures for pension fund investment. However, the last quarter of 1982 saw a sharp fall in the pension funds' net investment in property, and pension fund property unit trusts have been seeing redemptions of units on a scale hitherto unknown. Were it not for the enormous increase in pension fund investment in overseas stocks, which are now the biggest single outlet for the funds' new cash, the FT Industrial Ordinary Index might be very much higher.

Increased confidence in financial assets as opposed to tangible assets is more than welcome. The same is true of any increase in the monetary aggregates that reflects increased confidence in money as opposed to goods. The somewhat conventional boom in equities suggests that the pain in the disinflationary process is beginning to wane.

## AFTER THE WHITE PAPER

Cable TV: now  
it's time for  
the hard part

By Chris Dunkley

AT 9.00 pm any night of the week television viewers in London have four programmes to choose from. Viewers in New York can have 27 choices ranging from chat shows to baseball, from a play in Spanish aimed at the city's Hispanic community to a channel screening continued classified advertising.

The American choice is made possible by wideband cable: a system of delivering television signals down a wire rather like telephone calls.

As with telephone calls the system can be made to work in both directions and the viewers in some American cities can already "talk back" down their television cable in order to vote, buy goods, or pay bills. Unlike the old "off-air" broadcasting system which depended on scarce wavelengths, there is virtually no limit to the number of channels available via cable.

Wednesday's White Paper announced the British Government's plans for introducing cable to Britain. What the public presumably wants to know now is whether the plans will mean a gorgeous feast of new programmes, and if so

what the menu on British cable will be.

The difficulty is that there is no single answer which will hold good for viewers in Glasgow and in Moreton-in-the-Marsh. Not only will rural viewers have to wait for cable much longer (perhaps for ever) than those in the towns and suburbs, but even when cable services do arrive they will vary from one area to another.

It is true that some of the main ITV companies are interested not only in operating cable networks within their own region but in supplying programmes for possible national cable services.

It also true that the BBC, determined not to be overthrown by the communications revolution, will be looking to cable operators to act as middle men in earning money on a pay-per-view basis for the film service which the BBC intends to start running off a satellite in 1988.

The film service will be available by direct broadcast from the satellite (known as a Direct Broadcast System) to any viewer buying a special aerial and converter box. The Government intends to require all cable operators to supply

BBC-1, BBC-2, ITV, C4, and the five DBS services planned for the eighties before they add anything else to their minimum 25-channel package, viewers with a cable service will not need to buy DBS aerials and converters.

This compatibility of satellite and cable may in the end prove more important than the potential for competition.

On a different note, the BBC's commercial plan for satellites and its growing reliance on co-production and international sales raised doubts about the sanctity of the licensing system and—according to the current musings of some Thatcherites—the question of whether the BBC is necessary at all, once the scarcity of broadcast wavelengths becomes an irrelevance in the age of abundance brought by satellite and cable.

But the BBC's instinct for survival and the virility of its competitive spirit should never be underestimated. It is no chance that the BBC beat ITV to the satellite and no chance that films will be their first offering when the bird flies.

So far as programme content is concerned on all the new technologies, films will loom largest because films are what

viewers are willing to pay extra for. This is clear from the U.S. cable operation, and it is confirmed by the evidence provided by Britain's own videocassette users. What is far from clear is precisely what can be deduced from the success of VCRs in this country.

The proportion of homes with VCRs in Britain (19 per cent and rising) is considerably higher than in any other country in the world. This suggests that British viewers are ready to spend significant sums to achieve greater programme choice. But should we assume that they will therefore spend even more—upwards of £12 a month—to increase their choice further with cable? Could it be instead that by being first in the field in Britain VCRs have established themselves as a major source of viewer choice just as cable by being first in the field in the U.S. has established primacy over VCRs? We cannot tell until the cable operators get going, but viewers' reactions to Britain's experimental cable systems have not been outstandingly encouraging.

Much play has been made in the popular press recently with the supposedly dramatic decline

in television viewing figures. But the significance of this may well be the opposite of what it seems: far from indicating a dislike of the programmes on offer, much of that apparent decline can probably be attributed to the use of VCRs for watching hired films but for "time-shifting"—recording television programmes to watch later. The British have taken to this with an enthusiasm quite unequalled in other countries where cassette hire is much more popular.

This surely suggests that far from losing interest in broadcast television the British are abnormally fond of it, and it is this above all which is likely to offer the greatest challenge to cable operators: somehow they are going to have to find something which they can either do better than the BBC and ITV, or, ideally, something that the BBC and ITV do not do at all.

Thanks to the ridicule that politicians poured on the idea of an electronically lockable adult cable channel there will not now be any such service. "First people to break that lock would be schoolboys," they jeered in the Commons, as though their sons habitually broke into the wall dispensers at banks and

picked the Chubb on the front door, either of which systems could be used lock a cable channel.

However, the White Paper which manages to leave a narrow escape route in virtually all its requirements does suggest the possibility of cable providing "some material passed for public exhibition by the BBC" (film censors) which would not be appropriate on a generally available channel broadcast by the BBC and IBA. This can only mean X films.

Furthermore, although mixed programme channels on cable will be limited to the same minutes of advertising as ITV, it will be possible to run channels consisting wholly of classified advertising—house sales with photographs and even videos are just one obvious application. Research proves that viewers would like more local news and current affairs on television, a service which relatively small local cable companies could run far more economically than regional giants such as Granada. Let alone our national broadcasters, Gorgon's feast seems unlikely; it will probably be more like the arrival of a delicatessen on the nearest street corner.

## The financial gamble facing investors

THE GOVERNMENT has thrown the switch for the start of Britain's cable television experiment. Publication of its White Paper outlining future policy ends months of speculation and guesswork and opens the way for prospective investors to chance their luck in the market.

What the White Paper couldn't do, however, was to clarify some of the most pressing questions confronting the embryonic industry: how many people want a wider range of entertainment in the home? How much will they be prepared to pay for it? And how much will it cost to provide?

Much attention will be focused on the dozen or so pilot schemes which the Government plans to license on an interim basis later this year. Other bidders will have to wait until Parliament has approved planned legislation. This is unlikely to be before the middle of next year, so much hangs on the timing and outcome of the election.

The first pilot schemes are likely to begin operating in 15 months' time. Each will be entitled to serve up to 100,000 subscribers; though most will probably start small and expand in line with demand. Though no firm proposals

have been submitted, several organisations have already thrown their hats in the ring. They include existing cable operators, such as Rediffusion, Thorn EMI, Visionhire, Greenwich Cablevision and British Telecom (BT), which at present operate cable systems linked to 2.5m homes. These systems were designed to carry public broadcasting to poor reception areas and most are technically obsolete.

Because of the high cost of cabling—estimated at £200-£500 per home, depending on how far the cables are laid and the complexity of the system installed—many companies are forming consortia.

Merseyside Cablevision, formed last autumn to bid for the Liverpool area, has more than a dozen members including BT, Plessey, cable-maker BICC, the Pilkington glass group, the Littlewoods retail organisation and former Beatle Ringo Starr.

In Glasgow, the Scottish Daily Record has joined forces with Greenwich Cablevision and various financial institutions, while in the south the Solent consortium is backed by TV South, Portsmouth and Sunderland Newspapers and merchant bank Robert Fleming. Other areas attracting interest are Manchester, Leeds, Middles-

brough, Nottingham and parts of London.

Cable experts believe careful selection of franchise areas and type of audience will be critical to commercial success. Many favour council estates, poorer, racially mixed, districts over affluent neighbourhoods. "Mayfair and Worthing will be the last parts of the country to be cabled," says Mr Bruce Fireman of investment bank Charterhouse Japhet. Market research also suggests that owners of video cassette recorders may be the best targets for cable marketing.

BT is expected to play a significant role in cable. Where cable networks have to be built from scratch, digging up and relaying the road may account for as much as two thirds of total system costs. By using BT's existing telephone ducts, the bill could be cut sharply.

BT has deterred some people so far by insisting on owning the cable systems it provides, though it now seems to be rethinking its position. It will share with Mercury, its new privately-financed competitor in telecommunications, the right to link systems in different parts of the country. Mercury will also be entitled to join consortia and has teamed up with Thorn EMI to offer a range of

expertise and resources for cable projects.

Cable and Wireless, one of Mercury's shareholders, has set up a joint venture with Charterhouse Japhet and Commo of the U.S. to install systems. Among equipment manufacturers, Racal and Plessey have combined respectively with Oak Industries and Scientific Atlanta, both of the U.S. while UEL, an industrial holding company, plans a joint venture with another American group, Times Fiber Communications.

Other potential equipment suppliers include GEC, Philips, Jerrard of the U.S. and Rediffusion, which has developed an advanced "switched star" technology. But few seem prepared to commit much more than token resources to the UK until they see how the market develops.

The first hurdle will be to get finance. The most expensive part of the business will be to build cable networks, each of which is likely to cost a minimum of £10-£15m to complete, about the same as TV-am's total backing to date. Many City experts think that because of their long-term nature, the systems will have to be funded extensively by debt. It remains to be seen whether satisfactory ways can be devised to raise

debt for what are, by definition, high-risk ventures.

System licences will be awarded separately from operating franchises. Many operators will probably want to own their systems. But some are worried by the Government's proposal to grant 12- or 20-year licences (depending on the technology used), while issuing franchises initially for 12 and later for eight years. What they wonder, would happen to a system owner who failed to get his franchise renewed?

The key to cable's revenue earning success will lie in entertainment television programmes. It is widely agreed that a market for "interactive" services such as home banking and shopping has yet to develop.

Several projects to supply programme material are under way. Feature films are expected to be staple fare on most systems. CSS Promotions and Viewpoint plan to supply sports material. Virgin Records and Yorkshire Television both propose to offer pop music channels. Pearson Longman is considering plans for a round-the-clock news service, and several systems are expected to carry local news and community interest programmes. Cable operators are expected

to ask £10-15 per month for a package of "basic" programmes, with extra charges for "premium" channels and "pay-per-view." What nobody yet knows is whether enough revenues can be generated to cover the cost of buying programmes, which people will pay to watch.

Pearson Longman is among the doubters. After extensive studies of Harrow, which suggested that it could cost as much as £500 to cable each house, it thinks that it may be hard to make money unless construction costs can be reduced or additional sources of revenue found.

One possible option to increase revenues would be to join forces with Mercury, which with BT is the only organisation authorised to use cable to carry voice. Both also have exclusive rights to transmit computer data in London's main business districts and in Manchester and Birmingham.

Mercury, which is keen to build its own local telephone network but is daunted by the cost, is expected to issue a public invitation soon for partners to join it in bidding for franchises for cable ventures which would double as local telephone companies.

Guy de Jenquieres

## Letters to the Editor

## Unemployment

From the Managing Director, Wharman Revere Angel

Sir—The causes of the level of unemployment presently suffered in the UK are by definition multiple and in that I suspect no one would disagree with Mr Adam Seale (April 26). The important thing if you are engaging in the extremely difficult task of diagnosis is not to gloss over a root cause nor to confuse cause with effect.

Of course in a severe recession lack of demand is one cause. Of course any corrective measure applied to the highest inflation rate experienced in any major industrialised nation at the time will aggravate the position. The CBI spokesman, however, was quite right: to fail to list demanding from excessive levels as a basic contributor to our current level of unemployment is like diagnosing the excessive use of petrol in a car as a badly tuned engine when there was already a split in the fuel tank. This was a major element in the competitiveness of which Mr Seale writes because with that level of manning even the relatively low UK wage rates represented too high a labour cost. Furthermore with the profitability that that situation created who could be expected to invest?

If the purpose of diagnosis is to attempt to cure or prevent then any factor as basic as over-manning must be recognised before we can claim the rightful shares in the world's markets which is our only long term path to achieving an acceptable level of employment. J. Leigh Pemberton, Springfield Mill, Maidstone, Kent

## Overmanning

From the Director of Information, Confederation of British Industry

Sir—We have no quarrel with Mr Seale (April 26) in

cause of our present tragic level of unemployment. Indeed, he is exactly right that we have been saying for many years now and was the theme of our last national conference. We estimate that we have lost one and a half million jobs since 1970 as a result of competitive failings.

As one of the CBI's regional chairmen pointed out in the quoted "Newsnight" interview, overmanning in industry has contributed to this failure. Lack of investment is one of its consequences. K. D. McDowall, Confederation of British Industry, Centre Point, 103, New Oxford Street, WC1.

## Politicians

From Mr A. Payne  
 Sir—On reading the article by Walter Ellis (April 26) about the attempt by the Netherlands to reduce unemployment one found it heartening to see government, companies and workforce indicating that they are prepared to make a collective and imaginative response to this severe economic problem.

Indeed, it is interesting to draw a parallel with the experience of the UK over the last five years. Governments of similar political persuasion, economic policy moulded around similar ideals and objectives, with potentially the same consequences. Yet one finds a striking difference in response and attitude. In the UK one has repetitive, almost nonchalant, statements from Government ministers blaming the "world recession" for rising unemployment, to which one attaches as much scorn as one does scepticism to the bland claims of the Opposition that its panacea is to be found merely by increasing government spending.

The only similarity from two such contrasting views is the stark lack of imagination and

virtues, that the Netherlands is successful. R. Payne, "The Pig", 305 St Ann's Road, Haringey, N15.

## Policies

From Mr S. Mason  
 Sir—Rather after the fashion of Harold Macmillan who believed that by taking one penny off the working man's pint would encourage him to vote Conservative, this Government believes their draconian policies leading to low inflation and ever-increasing unemployment will have a similar effect.

The serious defect in the philosophy is the simple fact that the short term sprint to low inflation will not be maintained, the disastrous unemployment rate will be maintained and will be the source of a major social explosion before very long. Stan Mason, 141, Kingsway, Hutton, Liverpool.

## Relationships

From the Director, Industrial Participation Association

Sir—Your Labour Editor (Britain's unions, April 22) concluded that unions have to change fundamentally and rethink their industrial reflexes. So do many managements.

He used Cowley and Halewood to illustrate militancy. Talbot and Carreras Rothmans as examples of participative management making blind militancy look obviously irrational.

This association's experience is that genuine and sustained belief by management in employees as individuals is essential to generate mutual trust. It takes years to change attitudes, and firmly consistent executive interest too. But it pays, in terms of money, if you "do a Jaguar" (or avoid doing a

even happiness, when you succeed).

At Talbot's industrial relations director said: "There's a lot more interest in the company than we thought there would be." D. Wallace Bell, 85 Tooley Street SE1.

## Registrars

From Mr J. Hartshorn  
 Sir—My wife and I have a large number of small shareholdings in both UK and overseas companies. We have recently moved house, and have accordingly sent all registrar details of both the former address and the new address.

What a waste of time and effort! Our old address is still receiving over half of the mail, and the worst offenders are the professional registrars, the banks, merchant banks etc. This very morning one set of accounts was received, courtesy of a bank registrar's department, at my old address, despite its chief registrar having informed me (on April 6) that "your change of address is receiving attention."

Could someone please let chief registrars know that altering addresses on computers etc is useless unless the Addressograph plates are also changed—don't blame the mindless machines but the unthinking operator! J. V. Hartshorn, The Barn Close, Box, Wilts.

## Directors

From Mr O. Anderson

Sir—The majority of boards of directors go their own way, with little or no thought for the interests of the shareholders or the workers. They are only interested in what is in it for themselves. There is not the space in a letter to list all the outrages committed by boards of directors over the last three

take up far too much space, and if included the advantageous arrangements that are made, but very carefully thought out, in a line in the annual report, this would run into a book.

Sir, the problem of all this, is the fact that shareholders are not (unfortunately) organised, and therefore are unable to present an organised resistance to the antics of directors. Really it's ridiculous that directors can give themselves cast iron service agreements, and the first poor shareholders know about it is at the next AGM. Even the "non-executive director" is a bit of a joke. The shareholders have no say in their appointment, and having been appointed with a very nice annual fee, there are not many of them prepared to stick their necks out really to protect the poor little shareholder.

So perhaps the time has come when the independent shareholders should get themselves organised, because that is the only way they will be able to stand up to the boards of companies. I wonder if there are other shareholders who feel the way I do about these matters. I am certain that if we could only get the shareholders in this country to take an interest in the companies in which they have a stake in the same way that stockholders do in the U.S., I think we would see a much higher standard of ethics on the part of directors in this country. O. S. Anderson, April Cottage, Chafford Lane, Fordcombe, Tunbridge Wells, Kent

## Recruitment

From Mr P. Newman

Sir—I am reminded by your editorial of April 25, concerning civil service recruitment that in early 1980 the Foreign and Commonwealth Office was concerned about the high proportion of young

leaving the diplomatic service not very long after joining. One young man has been prevailed upon to give his reasons for leaving, and he did so in a letter, part of which was then given a limited circulation by the office among staff at home and abroad with the invitation to comment.

As I recall the tenor of this young man's criticism was that the service was too formal and stylised in its paperwork while its management methods were archaic and resistive of change. Further, that any attempts to question or change these practices could have a damaging effect upon one's career prospects and so one either had to knuckle under or leave. He had chosen to leave.

So while Sir Alec Atkinson's desire for change in our education system is understandable enough, this surely can only be a long term objective. More immediately realisable would be change of management methods within the civil service so that those attracted to the service in the first place, are encouraged to remain. With their first choice career. At one time I had hoped that the Parliamentary Select Committees set up soon after Mrs Thatcher's Government, came into office would go a long way towards making the civil service more accountable to Parliament and the nation. What I read therefore was the recent report that Sir Robert Armstrong, Cabinet Secretary, had decided on a point of principle not to appear before a Commons Select Committee chaired by Mr Christopher Price of the Education, Science and Arts Committee. To me this smacks of a state within a state and as such inconsistent with the democratic principles which govern our country.

Can the civil service really presume in this way to be a law wholly unto itself? Peter F. Newman, 2 Maplebatch Close.

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# A giant flexes its muscles

**SAFEGWAY STORES**, the world's largest supermarket chain, this week formally served notice that it intends to make a significant impact on the fiercely competitive £24bn a year British food market.

After 21 years of careful expansion in Britain—using a centralised and highly sophisticated distribution system—the UK Safeway operation on Thursday beat off last minute competition to snatch the 97-strong Key Markets chain from Fitch Lovell for £55m. At a stroke, Safeway thus doubled its UK store network which now stretches from Dundee to Dorset—it now has over 10 per cent of the lucrative London and south-east food market.

Throughout the world the group already has almost 2,500 stores—in the U.S., Britain, Canada, West Germany and Australia. Every day these cater to some 4m customers who spend a massive total of \$350m a week.

So far in Britain, however, Safeway has avoided head-on combat with the supermarket majors: now it plans to use the Key Markets acquisition (subject to approval from the Office of Fair Trading) to form the base for a bid to become as dominant a force in the British market as the three home-grown giants—Sainsbury, Tesco and Asda.

Safeway's rivals profess to be sanguine about the move. According to one stores chief (who prefers to keep his back-biting anonymous) "it merely reflects a merger of two second division teams unable to make the big time on their own."

Yet privately Safeway's rivals are probably a good deal more worried about the new challenge than they are prepared to admit in public. The City, certainly, is impressed by Safeway. "It's a very efficient, well-managed store operation," says Mr Tony MacNeary, a senior stores analyst with Capel-Cure Myers, who has recently visited the Safeway operations in both the U.S. and Britain.

Mr Malcolm Samuel of Pender and Boyle is equally complimentary. "Safeway has maintained consistent profit margins of between 3.5 and 4 per cent since the mid 70s," he says. "It's a very impressive track record."

Since 1976, Safeway's British sales have increased by a fifth each year on average (to £502m last year), while profits have risen steadily by almost a third each year (to £17.1m in 1982). Sales per square foot have also climbed steadily—from £113 in 1976 to £252 last year—while



Mr Terence Spratt, chairman of Safeway in Britain: drive and determination

average weekly sales per employee have jumped from £448 to £523 over the same period.

Of native British supermarket chains only Sainsbury has had a better growth record over this period. Its annual sales per square foot, for example, are still almost double those of Safeway; yet Safeway is comfortably ahead of most of its less exalted rivals.

How has Safeway achieved this enviable record? "It's created a successful formula, got its costs under control, and simply replicates itself again and again," suggests MacNeary of Capel-Cure Myers.

The main ingredients of this formula are:

- **Style:** Safeway has adopted a world-wide style. Customers going into any Safeway store—be it in Michigan, Melbourne, or Manchester—are immediately at home in the brightly-lit stores, wide tiled aisles and brown, orange and pastel green decor.

- **Service:** The company has a

passion for courteous and efficient service, and spends considerable time and effort on staff training. UK staff who are especially polite—as indicated by letters or comments from customers—get a special presentation watch and their picture in the house magazine.

- **Merchandising:** Safeway was probably a decade or so ahead of its time in the 1960s when it introduced self-service selection of fresh vegetables, in-store bakeries, and delicatessen counters. Now other stores stock similar merchandise: in fact a 20,000 sq ft Tesco or Sainsbury (the average Safeway store size) will have copied many of the characteristics that Safeway pioneered in the 60s.

Yet Safeway seems to be staying one step ahead of the competition. Stores will provide an iced birthday cake with a particular name on it even if ordered by telephone; flowers can be sent anywhere in the UK from a Safeway store; and films can be given in for processing.

Safeway's new ventures include in-store post offices and pharmacies.

- **Distribution:** Safeway operates a highly centralised distribution system whereby all deliveries from manufacturers go to one of three depots—in Kent, Cheshire, and Glasgow. Only five Safeway lorries unload at each Safeway store, mainly in the evening. This ensures there are no queues of lorries blocking the High Street as happens outside other supermarkets, who allow manufacturers to drop loads at the store.

It's a point which specially appeals to local authorities and one reason why they sometimes favour Safeway's planning application over those from rival stores.

- **Stock control:** The centralised distribution network enables Safeway to operate a very tight stock control system. Every store has a micro-computer linked to the main-frame com-

puter at each depot. Every morning the results of the overnight stock check are transmitted to the depot, the order made up during the day, and delivered to the store that evening. Then a full-time night shift restocks the shelves and checks depletions from that day.

This procedure means that most of Safeway's stocks are actually held on the shelves in-store, rather than in stock rooms as happens in many other chains.

Management: One of the key factors in Safeway's growth record, according to most in the grocery trade, has been the drive and determination of Mr Terence Spratt, the 53-year-old chairman and managing director.

Spratt joined Safeway when it established its UK operations in 1962 and took over the small supermarket chain for which he worked. Although British-born, Spratt now exudes much of the corporate toughness of the typical U.S. executive: his 21-year association with the Californian-based Safeway bosses has obviously left its mark. Yet he maintains that much of his success since becoming chairman in 1975—replacing an American boss—was because he knew the British market so well.

Spratt's management style is uncompromisingly tough: "When we promise to do something, we do it." Yet staff remain loyal: every store manager has come up from within the ranks and few choose to leave in spite of tempting offers from elsewhere.

The problem now, however, is how to integrate the Key Markets management and stores into the disciplined Safeway operation. Many trade observers expect that Spratt will get rid of the smaller Key Markets stores—some 60 per cent are below 10,000 sq ft in size—although he maintains that "well-run small stores can be just as profitable if the controls are tight."

Management may be more of a problem since much of Key Markets' faltering performance in recent years has been the result of the loss of key executives. Last year, for example, Key Markets' managing director, Mr David Canfield—quit to join International Stores.

The American parent this week set a spratt (Terry) to catch a mackerel (Key Markets). But this is unlikely to be its last fishing expedition in the UK as it drives to achieve what it sees as its rightful place at the top of the supermarket league in Britain.

## 'This is only the start of a very long film'

By Alan Friedman, Banking Correspondent

THE MAN in room 401 of London's Carlton Tower Hotel looked pale and tired. Immaculately attired in a custom-tailored suit, a monogrammed blue shirt and expensive black leather shoes, he began to pace around the table.

He had been talking almost non-stop for two hours and now, Sr Jose-Maria Ruiz-Mateos, founder and former chairman of the expropriated Spanish group Rumasa, sighed deeply in response to the question of whether he had ever met the late Roberto Calvi of Banco Ambrosiano.

"I never met Calvi, but some people say I will end up like Calvi," he declared, forming the outline of a noose around his neck with his hands and then smiling sardonically.

Sr Ruiz-Mateos looks an unhappy man these days. His financial empire, which he values at Pta 500bn (£2.4bn), has been confiscated by the Spanish Government. A host of criminal charges, ranging from currency offences to social security fraud, have been levelled against him. And for six weeks now he has been living in self-imposed exile in London, working day and night with lawyers who are fighting a rearguard action against a determined Government in Madrid.

Most men in such a position might hole up in a farmhouse and refuse to say a word except through their lawyer. But Sr Ruiz-Mateos, like a boxer ready to stagger from his corner for a tenth round, is ready to summon up his last ounce of adrenalin in order to attack his critics.

He denies totally every allegation of wrongdoing. He entirely refutes the criticisms made by Sr Miguel Boyer, the Spanish finance minister and a major protagonist in the legal campaign against him. He accuses the Bank of Spain of being "incompetent, completely incompetent." And he accuses the Spanish Government, which on February 23 expropriated the 800-company Rumasa empire, of "theft."

As if this were not enough, Sr Ruiz-Mateos pours scorn on the Madrid Government's revelations about hitherto unknown companies, the existence of which, it claims, was not disclosed by the empire he founded 22 years ago.



Sr Ruiz-Mateos

ridiculous. They know nothing about Rumasa at the Bank of Spain. Where do these Bank of Spain people come from? From another galaxy? These supermen claim to know all. They know nothing," he explodes.

The Rumasa founder-in-exile is most troubled about allegations relating to the 18 banks expropriated by the Spanish authorities. "We started in banking 20 years ago with Pta 1m (£4,700) in capital and Pta 20m in deposits. Before the banks were taken away in February we had Pta 50bn (£235.5m) in capital and Pta 900bn (£4.2bn) in deposits."

"I understand that people have withdrawn Pta 140bn (£636m) in deposits since February. The Government has had to inject this much since then." But Ricardo Goytze, an administrator general of Rumasa, yesterday said that only around Pta 70bn had been withdrawn since February.

Asked to comment on allegations that two banks in Barcelona and Oviedo were secretly acquired by Rumasa in 1981 and 1982 (in addition to the 18 disclosed bank subsidiaries), Sr Ruiz-Mateos throws up his hands in disgust. "These are not Rumasa banks. We had only 18 banks," he claims. He is vague, however, about who actually owns these two banks.

"Think about these banks like this," he suggests. "You can own the Financial Times and the Financial Times can have other interests, eh?"

Sr Ruiz-Mateos refuses to say whether he or Rumasa is the owner of Netherlands Antilles companies such as Multinvest

NV, which received funds from the London branch of Rumasa Banco de Jerez and was the owner of Augustus Barnett & other companies.

He is willing to confirm millions of dollars were channelled from Banco Jerez's head office in Spain to its London branch, on to companies in Panama and then to London. But he says he has no knowledge of details.

One such detail was a series of telexes despatched from Rumasa banks in Spain, London and providing guarantees for loans to Panamanian companies (which in turn transferred the funds back to Multinvest in London). The Financial Times has seen a copy of the telexes, signed by a Banco del Norte employee. But Sr Ruiz-Mateos said he knew nothing of the telexes, never got involved in detail, he explained.

A Rumasa bank executive contacted by the Financial Times said yesterday that telexes had been despatched, instructions which came from top echelons of Rumasa. He said that the "guarantees given by our bank head office came from the Rumasa parent."

Moving away from details, Sr Ruiz-Mateos is more forthright. He speaks of his wife and 13 children, who have been visiting him in London. "I did not stay in Spain? To much pressure. I needed to get away. I could have gone to Copenhagen, but London was my favourite city aside from Madrid."

Then, removing his jacket, room 401 at the Carlton Tower begins to heat up. Sr Ruiz-Mateos raises a finger and speaks in a low and soft voice. "Two days before the takeover of Rumasa, which incidentally was on the anniversary of the coup attempt in Spain, two days before this I had a meeting with Sr Boyer. It seemed to me he had no idea about Rumasa. He was very nervous. He was afraid of me. He smoked two packets of cigarettes in two hours and sweat was running down his cheeks."

There was no sweat running down Sr Ruiz-Mateos' cheek when he left the Carlton Tower on Thursday evening. But he paused at the door, while his bodyguard and interpreter waited, and looked even more tired than before. "This is only the start of a film, a very long and big film," he whispered.

## THE OUTLOOK IN THE U.S.

THREE years ago when Mr Peter Magowan, then aged 24, took over the helm at Safeway's California headquarters there were real fears that the giant chain was following inexorably in the footsteps of the Great Atlantic and Pacific Tea Company, or the A and P as it's universally known in the United States, writes William Hall.

A and P, now majority owned by the German Tengelmann group, and once the dominant force in the U.S. supermarket business, was fading fast, a victim of its inability to adjust to changing conditions in what is probably the most competitive supermarket market in the world.

Magowan, who looks more like a High School English teacher than a chief executive, has already begun to turn Safeway round. Volume is up, margins have improved, pricing is more aggressive. Meanwhile some stores have been closed, food processing plants have been cut back and its heavily unionised labour force is being pressed to make concessions to allow it to trim wages costs.

At the same time the company has spent heavily on new larger stores at the rate of some \$500m a year. Conventionally sized supermarkets still account for two thirds of its 2,400 U.S. stores, but "superstores" are being rapidly developed. More than 40 per cent of their average 40,000 sq ft selling space is devoted to non-food items.

For the future Safeway wants above all to capitalise on the fact that every day a million of its customers cash cheques in its American stores. By the end of the year 250 stores will have automated teller machines; in the longer term it is considering emulating the Sears Roebuck retail chain which has ambitions plans to turn its stores into so-called financial service centres.

It is too early to tell if Magowan, whose father piloted Safeway in the successful 60s and early 70s, is going to be able to restore margins his father took for granted. Aggressive competition leaves little room for mistakes and the company is heavily geared which reduces room for manoeuvre still further.

## Weekend Brief

April 30:  
a night to remember

READERS of a gentle temperament had best take cocoa early tonight and miss the midnight movie. It is not a night to tempt the Fates: April 30 is a wild day, a day when doomed actions have commenced and monsters met their end. April 30 is Walpurgisnacht.

## Beansprouts boom in Britain

ONE of the fastest growing sections of the UK economy in recent years has been the bean sprout industry. Even the most fastidious grower can turn out a new crop every six days, and some are producing two crops a week.

The taste for the bean sprout has, of course, been synonymous with the growth of the Chinese take-away and restaurant business—helped by what is sometimes rather unkindly referred to as the "Volvo, wok and soup brigade." The more enthusiastic members of this band, apart from producing their own Chinese meals, grow their own beans from seed.

In the cold light of dawn in London's new Covent Garden market at Vauxhall, Pyfess-Monro Produce will tell you that they were selling five to 10 10lb bags a day a year ago. Turnover

is now over 25 bags a day. Another Covent Garden firm, Greenhill Mushrooms, is unloading some 30 10lb bags a day against 10 a year ago. A 10lb bag costs £1.40.

There are quite a number of growers who combine bean sprout production with their other activities. But possibly the biggest grower in the UK is concentrating solely on the sprout is Joseph Pao, a post-graduate electronics engineer of Southampton University. He got the bean sprout message as early as 1964.

From his north west London factory he produces up to 100 tonnes of beansprouts a week from mung beans imported from Thailand. After de-husking the beans simply germinate in the dark and warmth in polythene containers each producing 500 kilos of sprouts every six days. Pao reckons this is the minimum time required to achieve the right thickness and quality. He also reckons they are the cleanest vegetables produced as no soil whatsoever is used in their growth.

A private venture, the plant now represents a total invest-

## Keeping the bees happy

ISRAELI BEES are about to get new plastic insulated hives designed for hot or cold countries from a Jerusalem company, which, in conjunction with the Hebrew University in Rehovot, has spent five years researching the habits of the honey gatherers in the Middle East.

Rotoplas of Jerusalem is going into full production with consignments of the plastic hives to South Africa, Holland, Australia, the UK and U.S. and

ment of over £500,000. Pao's first major customer was the Safeway supermarket group, whose orders helped him on his way. Other customers now include Waitrose and International Stores.

He has 50 vans constantly on the road making deliveries over most of the southern and western half of Britain ranging from South Devon to Cardiff and Bristol. Rapid delivery is the key to the bean sprout industry because of the perishable nature of the goods. This, along with packing, comprises the major cost of the exercise. The basic ex-factory cost of the beans, because of the scale of the operation, is only 7p to 8p a lb in bulk according to the quantity ordered.

All supermarkets served by the firm have to have a daily delivery, and catering establishments have to be serviced three or four times a week.

—Elsewhere, Marks & Spencer, who started selling beansprouts in the late 1970s, report a steady level of sales. But since last November, when they introduced special stir-fry packs

Japan. It has patented the system worldwide. The insulation to keep the bees happy consists of an outer layer of cross linked polyethylene with a similar inner layer. Rotoplas says the quality of the honey is not affected by the plastic.

But the sting in the tail is that within a plastic hive the bees have to beat their wings rather less frequently to keep the temperature down in hot countries; they use less energy and, therefore, consume less honey.

Better still it was found that the Queen Bee indulged in sexual activities two weeks earlier than normal thus increasing the Israeli bee population.

containing 80 per cent beansprouts plus carrots, mushrooms and onions—with a choice of two sauces—sales of this item have increased more than fourfold. All the ingredients, including the sauces, are of British origin.

J. Sainsbury also reports steadily increasing demand for beansprouts since they were introduced to their shelves in 1980. But here again sales have been boosted by the introduction of a beansprout salad last year. This includes cress, red pepper and red cabbage at 39p for a 70 oz pack.

To return to Mr Pao. He is confident about the future for the bean sprout industry and predicts that sales will continue to grow in the UK at an annual rate of about 10 per cent. No doubt Volvo and wok sales will continue to keep pace.

## Contributors

John Lloyd  
Ian Dunning  
Max Commander

**Delta Airlines celebrates its 5th Anniversary of London service to Atlanta and 80 U.S. cities.**

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Mr Joseph Pao, bean sprout grower and processor of NW London























# Texaco starts year with 13% drop in earnings

BY WILLIAM HALL IN NEW YORK

TEXACO, the U.S. integrated oil major, has reported a 13.1 per cent drop in first-quarter net income to \$319m despite more than doubled earnings in its important overseas operations.

Per share earnings fell from \$1.41 to \$1.24. Revenues dropped from \$1.5bn to \$10.2bn. The group says a continuing decline in petroleum demand caused by sluggish world business conditions and conservation measures has had a "significant impact" on the petroleum industry. The industry entered 1983 with surplus supplies of crude oil.

## Improved

BY OUR NEW YORK STAFF

**OPERATING EARNINGS** of Aetna Life and Casualty, the biggest stock holder-owned insurance company in the U.S., rose by 18 per cent to \$119.5 million in the first quarter of 1983 but its earnings per share fell by 8 per cent to \$1.15 because of stock issues for acquisitions made last year.

Aetna's earnings in the quarter were boosted by \$48m from a reinsurance transaction, but they exclude the tax benefits of operating loss carryforwards

## Improved performance at Aetna

**BY OUR NEW YORK STAFF**

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petroleum and natural gas operations jumped from \$151m to \$332m. Overseas earnings from exploration and production fell but were more than offset by a sharp improvement in overseas manufacturing and marketing operations. This was due to a reduction in crude oil acquisition costs and improved operating efficiency of the European refineries.

● **Tosco**, the independent U.S. oil refiner which is trying to reschedule some \$675m of bank debt, has reported a net loss of \$46.6m in the first quarter compared with net income of \$510,000 a year ago.

**ce at Aetna**

## Steady advance at three French group

BY DAVID MARSH IN PARIS

**IMPROVED** results from three French companies with expanding businesses, CIT Alcatel Electronics, Compagnie Generale des Eaux in water distribution and Spie Batignolles in construction, have underlined that not all sections of French industry are facing hard times.

CIT Alcatel, the country's leading telecommunications manufacturer, announced a net profit of FFr 113.7m (\$15.5m) for 1982 compared with FFr 95.2m in 1981.

CLT's operating profit rose last year to FFf 172.9m from FFf 151.7m. The overall dividend, including tax credit, is being lifted to FFf 91.95 from FFf 90 in 1981. The company also said it is seeking authorisation to issue bonds convertible into shares for

## Growth at Munich bank

BY JOHN DAVIES IN FRANKFURT

**BAYERISCHE VEREINSBANK**, the Munich-based West German commercial bank, has reported a further improvement in parent company results in the first quarter of this year.

At the same time, the shareholders' meeting yesterday elected Herr Franz Josef Strauss, the Bavarian Premier, to the bank's supervisory board. The bank reported that interest earnings in the first quarter increased by 8 per cent

to DM 302m (\$123m). The partial operating result—basic interest and commission earnings less personnel and some material costs—was more than 10 per cent higher than in the same period last year. There was also a substantial rise in bond trading earnings. Bayerische Vereinsbank has shared in the general improvement in West German banking business last year and has lifted its dividend from DM 9 to DM 10 per share.

## seas hit by re

among major container shipping concerns and high interest rates during most of the year were cited as the main factors which hit the results.

But Orient, which owns the Furness Withy group in the UK, said it was able to prevent earnings falling further because of the effects of past diversification and ship sales.

By Mary Ann Sieghart

The new rating will apply to all public bonds issued by the New Zealand Government in the U.S. market and the Euro market. The adjustment reflects "the public sector's large and increasing external debt burden and deterioration on the current account of the balance of payments, following a prolonged period of deficits and reduction in domestic economic policy flexibility," according to Standard and Poor's.

**New Zealand now joins  
mark in being the only We  
developed nations to re  
ratings lower than triple-A**

**Bunge unit upturn**  
BUNGE INDUSTRIAL, Australian offshoot of Argentinian-based group, saw 20 per cent improvement in profit for 1982, to A\$10.5m (U.S.\$7.8m). It is involved in cereals, meat, metals engineering.

As forecast when the '5

The board said it was fident that 1983 profits w enable it to maintain dividend at the 1982 level.

## FT UNIT TRUST INFORMATION SERVICE

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1889th, 1890th, 1891st, 1892nd, 1893rd, 1894									

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FORMATION SINCE 1970

Boyds's Life Unit Trd. Mgmt. Ltd.				
1st Mkt. Life Unit Trd. Mgmt. Ltd.	100.0	100.0	0.0	0.0
Accum. (2)	72.8	63.3	-8.5	23.11
Income	100.0	100.0	0.0	0.0
Exp. (2)	55.3	50.0	-5.3	2.0
Public Authorities' Mutual Funds Ltd.				
London Walf. ECN Ltd.	100.0	100.0	0.0	0.0
1st Mkt. Life Unit Trd. Mgmt. Ltd.	100.0	100.0	0.0	0.0
Accum. (2)	72.8	63.3	-8.5	23.11
Income	100.0	100.0	0.0	0.0
Exp. (2)	55.3	50.0	-5.3	2.0
S & S Group (UK) Ltd.				
London Walf. ECN Ltd.	100.0	100.0	0.0	0.0
1st Mkt. Life Unit Trd. Mgmt. Ltd.	100.0	100.0	0.0	0.0
Accum. (2)	72.8	63.3	-8.5	23.11
Income	100.0	100.0	0.0	0.0
Exp. (2)	55.3	50.0	-5.3	2.0
American Growth				
Accum. (2)	72.8	63.3	-8.5	23.11
Income	100.0	100.0	0.0	0.0
Exp. (2)	55.3	50.0	-5.3	2.0
American Recovery				
Accum. (2)	72.8	63.3	-8.5	23.11
Income	100.0	100.0	0.0	0.0
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Accum. (2)	72.8	63.3	-8.5	23.11
Income	100.0	100.0	0.0	0.0
Exp. (2)	55.3	50.0	-5.3	2.0
American Recovery				
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Exp. (2)	55.3	50.0	-5.3	2.0
American Growth				
Accum.				

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## BRITISH FUNDS

"Shorts" (Lives up to Five Years)

"Shorts" (Lives up to Five Years)									
1993	98 1/2	Treasury	9 1/2pc '83	99 3/4	+ 1/2	9.27	10.00		
1992	100 1/2	Exch.	13 1/2pc '83	101 1/2	1/2	13.25	9.00		
1991	98 1/2	Exch.	10pc 1983	99 1/2	- 1/2	18.00	10.00		



## OIL AND GAS—Continued

[illegible]

17	61	96	558	329	Western Areas R1	622
18	3	28	1034	352	Western Areas R2	624
19	1	1	610	769	Zemdan R1	928
20	1	1				
21	7	79	72			
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100	1	1				

**MINES—Continue**[illegible]

## NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers based on latest annual reports and accounts and, where possible, updated on half-yearly figures. P/E's are calculated on "no distribution basis, earnings per share being computed on profit after

compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetting AET. Yields are based on middle prices, are gross, adjusted to AET.

- 30 per cent and allow for value of declared distribution and rights
- "Tap" Stock
  - Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
  - Interest since increased or resumed.
  - Interest since reduced, passed or deferred.
  - Tax-free to non-residents, on application.
  - Figures or report awaited.
  - Not officially UK listed; dealings permitted under Rule 163(4)(a)
  - USM; not listed on Singapore and company not subject to same degree of regulation as listed securities.
  - Death of Lord Bess (1633)
  - Price at time of suspension.
  - Declared dividend after pending scrip and/or rights issue: con

\* Same Interim: reduced final and/or reduced earnings indicates  
Forecast dividend; cover on earnings updated by latest inter-  
statement.

† Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividend.  
‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.  
|| No par value.

based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. In Assumed dividend and yield after scribbles. h Dividend from capital income. i Income from interest income.

[illegible]

## REGIONAL AND IRISH STOCKS

The following is a selection of regional and Irish stocks, the latter being quoted in Irish currency.

Wing Inv. 200	54	Nat. 94% 84/89	587%
Wing Inv. Ent. 500	2455	Fin. 13% 97/02	596%
Wing & Rose £1	512	Alliance Gas	103
Wing Fly £1	33	Wing Fly	103
Wing Fly £1	519	Carroll (P.J.)	109
Wing Fly £1	105	Concrete Prod.	54
Wing Fly £1	920	Helson (Hdgs.)	16
Wing Fly £1	100	Irish Ropes	31
Wing Fly £1	134	Jacob	75nd
Wing Fly £1	200	T. M. G.	75
		Unifair	72

## OPTIONS

3-Month Call Rates				
Industrials	House of Fraser	27	Utd. Drapery	24
Willed Lyons	I.C.I.	35	Vickers	12
DC Grp	"Imps"	11	Woolworth Hld.	27
S.R.	I.C.I.	82		

Book	16	Landbank	20	Priority	
Carkeys Bank	33	Legal & Gen.	38	Br. Land	82
Chem	33	Lex Service	38	Gen. Secs.	30
Fire Circle	44	Lloyds Bank	45	Land Sec.	15
Printers	22	"Loft"	45	M.E.C.	22
Posters	22	London Brick	46	Peachey	16
Art. Aeropace	21	Lucas Ltd.	47	Sumner Prop.	13
Print. (J.)	65	"Mans"	12	Town & Cty.	8
London Ord.	5	Miles & Spier	20		
Midland Bank	36				
N.E.I.	10				
				Oils	

Junior	6	Racial Elect.	45	KCA	8
Single Star	35	R.H.M.	6	Premier	4
	41	Bank One	12	Shall	23

... Accidents	48	Reed Trial	28	Tricontrol	19
... Electric	22	Seabro	9	Ultramar	48
... 90	90	T.I.	14		
Grand Net	32	Tesco	24	Mines	
U.S. 'A'	55	Thorn EMI	50	Charter Cont.	2

Marston	42	Trusthouse	20	Cons. Gold
M.C.N.	15	Turner & Newall	40	Lorain
Lawler Sidd	34	Unilever	86	Rio T. Zinc

A selection of Options traded in London Stock Exchange

**"Recent Issues" and "Rise"**



## MAN IN THE NEWS

### Does she really love him?

BY PETER RIDDELL

KENNETH BAKER stands out in the Thatcher administration—as an enthusiastic spender of public money, as a believer in an activist industrial policy, as a former close associate of Edward Heath, and, not least, as the editor of two good anthologies of light verse.

Yet he is clearly thriving, unlike many other ex-Heathmen. As Minister for Information Technology (IT), he was the driving force behind this week's announcements of the go-ahead for cable broadcasting and of a £250m collaborative research programme into super-computers for the 1990s.

Baker has had the essential political gift of fortunate timing. In July 1980 he put for-



Kenneth Baker

ward a 10 point programme for developing IT, including the appointment of a new minister. He sent it to Mrs Thatcher and in January 1981 was appointed to fulfil his own job specification. He has been lucky in that his area—which few understand but almost everyone believes is a good thing—has appeared to offer hope of industrial advance at a time of general economic gloom.

Consequently, Baker has had no real problems in gaining support for his succession of new interventionist initiatives. Mrs Thatcher has strongly backed his activity, she is very conscious of being the first science graduate to become Prime Minister. The result has been a fivefold rise to £250m in Government support for innovation, much less than has been spent on steel, ship-building and BT.

None of this appeared in the Tory's 1979 election manifesto—a point which does not seem to trouble Baker. He argues that Britain must be in the forefront of adapting to new information systems. Clearly sensitive to charges of being a wild interventionist, he reflects the idea of the state owning equity in industrial companies with rare exceptions. Instead, he believes government can use money catalytically.

Baker's approach has three main features. First, there is "creating opportunities"—ending British Telecom's monopoly, granting licences to radio telephones, approving the new Mercury consortium and re-cabling. Second, there is the substantial r and d money for microelectronics, fibre optics etc., justified both by the need to open up university research to industry and by the example of other countries. Third, there is public purchasing policy. All this is tied in with training in technology—the 190 IT Centres and microcomputers in every secondary school and a third of primary schools.

Baker has achieved all this by being a super-spender for IT. He is clearly a believer. His Victoria Street office contains, for example, a model of a satellite and he is always rushing off to see new projects. On a U.S. trip he apparently asked for cable to be installed in British consulates he was visiting.

At Westminster, Baker, who is still only 48, is on everybody's list of possible promotions to the Cabinet after the election. But he is perhaps a little too smooth and flamboyant for some staid Tory backbenchers. And the Tory right still suspect his "wettish" views. So there may be limits to his rise under the Thatcher line. But even his critics acknowledge his activity. The irony is that Baker is likely to be gone from his present job anyone can judge London's leading doubters are London's leading prospects for London's leading prospects.

## UK has £556m surplus in March

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

BRITAIN'S CURRENT account of the balance of payments recovered sharply in March to a surplus of £556m, compared with a substantial deficit in January and only a small surplus in February.

According to Trade Department figures issued yesterday the March improvement reflected a rise in exports to a record value of £5.3bn and a reduction of imports compared with the exceptionally high levels reported for the first two months of the year.

The UK's trading performance for the past six months has been strongly underpinned by the oil trade, which a fairly steady surplus has been earned, averaging £575m per month, for the period.

The figures for trade in goods other than oil have been much more variable and are notoriously difficult to interpret. A surge of imports of non-oil goods in January and February—up 8 per cent compared with the average volume for 1982, however, was thought to reflect some deceleration of the rate at which companies

BALANCE OF PAYMENTS, CURRENT ACCOUNT				
	Current Balance	Visible Balance	Non-Oil	Invisible Balance
1981	+5961	+3112	-242	+3091
1982	+3948	+4605	-1377	+1720
1983 Q1	+1352	+748	-355	+959
Q2	+589	+698	-464	+355
Q3	+803	+858	-735	+680
Q4	+847	+1313	-704	+238
1983 Q1	+1709	+1736	-474	+447
Q2	+287	+1718	-1971	+540

stocks were being run down. In response to the unexpectedly strong pick-up in consumer demand at the end of last year companies are thought to have ordered more supplies from abroad.

The volume of non-oil imports, however, fell back in March to a level slightly higher than the average for the last quarter of last year. The level of imports in this first quarter was 6 per cent higher than the average for last year.

Non-oil exports in this first quarter ran at about the same level as the average for last year, although in March they

were 2½ per cent above the average volume for last year.

In the past six months the volume of non-oil exports was about 2½ per cent higher than in the previous six months. This is broadly consistent with the evidence of the recent Confederation of British Industry quarterly survey of manufacturing industry, which suggested export orders were improving, although the time scale for the survey was somewhat different.

Yesterday's figures suggest a wide variation in the pattern of exports, with a 4 per cent improvement in chemical

exports in the first quarters of the year compared with the average for 1982. Exports of passenger cars, however, fell by 5 per cent, compared with the average volume for 1982.

Conversely, car imports were 6 per cent higher in volume in this first quarter compared with last year's average. Imports of manufactured goods as a whole were 4 per cent higher in this first quarter compared with the average for last year.

Total exports to the European Community rose in value by 8 per cent in this first quarter compared with the average for last year. Exports to the EEC countries now account for about 45 per cent of Britain's total exports, compared with just under 40 per cent in 1981.

Yesterday Lord Cockfield, the Trade Secretary, said of the March trade figures: "This is a splendid export performance. At £5.3bn it is the highest monthly export figure ever recorded in value, and the second-highest in volume. There has been a healthy increase in exports of manufactured and other goods as well as oil."

## Foreign exchange intervention 'has role'

BY STEWART FLEMING IN WASHINGTON

A WIDE-RANGING study of official foreign exchange market intervention, ordered by heads of state at last year's Versailles summit, has concluded that intervention can be an effective tool for influencing exchange rate behaviour in the short run.

It says, however, that attempts to pursue exchange rate objectives which are inconsistent with fundamental economic trends tend to be counter-productive.

A summary of the main conclusions of the study, headed by M Philippe Jurgensen of the French Treasury, was published yesterday as finance ministers of the seven leading industrial countries met for talks.

It is uncertain whether the study and the talks, which lead up to the Williamsburg economic summit next month, will have a major impact on the widely differing policies which Western governments have on

official central bank intervention.

The Reagan Administration has been committed to a free-market "hands-off" approach to the foreign exchange market. It has intervened rarely over the past three years, backing away from the more active stance employed by the Federal Reserve Board and the U.S. Treasury under President Jimmy Carter.

The U.S. Treasury has indicated that it is not planning any fundamental change in this position. In a speech to foreign exchange traders in New York on Thursday night, however, Mr Paul Volcker, the Fed chairman, said he believed official intervention did have a modest role to play in currency markets.

He expected a sensible accord to emerge on this issue among the seven industrial countries, he said.

Such an accord is unlikely to satisfy French pressures for a

much bigger role for intervention as a way of curbing the strength of the dollar.

Recent comments from officials in the U.S., Britain and West Germany have made clear there is no support for a major expansion in intervention activity.

The working party firmly rejects the idea that intervention alone can play a role in achieving exchange rate targets which are inconsistent with fundamental economic trends.

"Attempts to pursue exchange rate objectives which are inconsistent with the fundamentals through intervention alone tend to be counter-productive," the report says. In what may be read as a veiled hint to the French Government, the report says that although intervention has occasionally been useful in "buying time," in circumstances where governments were aware of a clash between their domestic economic and

their exchange rate goals, buying time had occasionally been useless or counter-productive in the absence of appropriate economic policy changes.

Intervention aimed at ironing out short-term fluctuations in the markets, or countering what are seen to be disorderly market conditions, has been effective, the report says.

It adds, however, that different governments have widely different interpretations of when markets are "disorderly."

It also says intervention has been effective in narrowing the spread between bid and offer prices in the market and in reducing fluctuations in a single day.

It says, however, that intervention tends to be most effective when monetary authorities do not offset the domestic monetary repercussions of the intervention.

## Scottish court hinders Throgmorton

BY CLIVE WOLMAN

THE MANAGERS of Pentland Investment Trust, which is based in Edinburgh, yesterday bolstered the full weight of the Scottish legal apparatus to ward off one stratagem by board-hatted predators from south of the border, who have come within a hair's breadth of winning control of their assets.

The Court of Session in Edinburgh ordered the managers of the Throgmorton Trust to cease publication of two statements which, it was claimed, would mislead Pentland shareholders whom Throgmorton is wooing.

Throgmorton had announced this week that it had secured control of 45.75 per cent of Pentland shares, in a five-week battle which has aroused Scottish national sentiment.

The two statements at issue which Throgmorton has made repeatedly, concern the market value of the shares the suitor organisation is offering as a bait to Pentland shareholders, and the costs of stamp duty Pentland would have to meet if its own counter-proposals were accepted. Lord Kincaid, the Session judge, was presented with a set of arcane mathematical calcu-

lations and market evaluations from the stockbroker, De Zoete and Bevan. He then agreed to issue against Throgmorton an interim interdict, which is the Scottish equivalent of an injunction.

A spokesman for the merchant bank, Morgan Grenfell, which is advising Pentland, said that it applied to a Scottish rather than an English court because it believed that procedural differences would facilitate its case there. The Throgmorton Trust was not represented in court and a spokesman for it declined to comment last night.

## Spanish pledge

Continued from Page 1

total deficit would be more than Pta 200bn.

Sr Ruiz-Mateos has told the Financial Times he had an agreement with Prime Minister Felipe Gonzalez to work with the Socialist Government to create 50,000 new jobs through Rumasa, Sr Ruiz-Mateos claims

to have reached this agreement before Sr Gonzalez took office.

In Madrid last night, Sr Eduardo Solis, the Spanish government spokesman, denied that the Prime Minister had at any time made any kind of pact or agreement with Sr Ruiz-Mateos.

After consulting the Prime Minister yesterday, he dismissed the accusations as "false from top to bottom." He said, however, that Sr Ruiz-Mateos had "more than once" contacted Sr Gonzalez before last year's elections, promising to create 50,000 jobs.

## Hong Kong appoints inspectors to investigate Carrian group

BY ANDREW FISHER IN HONG KONG

AN OFFICIAL investigation is to be made into the tangled affairs of Carrian, the Hong Kong group which invested heavily in property, shipping and other sectors, and then came financially unstuck when property and share markets plunged here last year.

The colony's Securities Commission announced yesterday that two inspectors had been appointed to look into Carrian and all its subsidiary, associated and related companies.

The Carrian group's debts total the equivalent of U.S.\$900m (p. 12). News of its lack of liquidity came last October and shares in the quoted companies of the group were suspended on the Hong Kong stock exchange in January.

Banks involved with the group have been engaged since the start of the year in attempts to rescue it. Ships have been sold, banks have been pressed to convert some of their debt into equity and the group has been trying to shed its interests in taxis, its holdings in Hong Kong insurance and banking companies, and in properties here and outside the colony.

are already looking into the affairs of EDA Investments, the property company now being wound up after it became unable to pay its debts.

The Securities Commission said the probe into EDA had shown "such a degree of interaction between the companies and certain individuals that it is considered that the speed of the inquiry, and the general benefit to be derived from it, requires that the same inspectors should be appointed." It did not elaborate, but certain people are understood to have been concerned in share dealing which involved both companies.

Latest attempts to rescue Carrian have been expressed by efforts to persuade creditor banks to convert debt into equity in the subsidiary Carrian Investments Ltd (CIL). However, some banks have demurred and the future of the group remains in considerable doubt. More progress has been made in easing the heavy debt burden of Grand Marine, which Carrian bought in 1981 and built into the colony's fourth-biggest fleet. Its debts amount to \$280m, after sale of 20 ships to the original owners.

Hong Kong and Norwegian interests, Farnose, are said by bankers to be well advanced. Such a sale would reduce debt by nearly a further \$100m. Farnose is owned by the Jebsen group of Norway and Wheelock Maritime of Hong Kong.

When Carrian started its ambitious property and other deals in the colony in 1980, its glamorous image was heightened by speculation about who owned it.

It is headed by Mr George Tan, who moved into Mei Hon Enterprises in late-1979, changed its name to Carrian Investments and propelled it to prominence in 1980. The identity of Carrian's controlling shareholders is hidden by a nominee company. Talk about who owns it has died down lately. The group is thought to be the creation of Mr Tan himself.

The colony's rules on disclosure of shareholdings, and of the details of deals in major assets, are not rigorous. However, the affairs of EDA and Carrian could lead to attempts to strengthen them, a senior Securities Commission official hinted recently.

Continued from Page 1

## Clampdown

have become increasingly disturbed by these developments, which they regard as unfair competition, and by the time taken by the Revenue to react. The associations have been pressing the Government to clarify the position as each new tax-avoidance scheme has appeared.

In the case of capital and income bonds the associations have sought clarification from Mr Ridley for about a year. Last night they welcomed the Government's action, which will also apply if further capital is injected into existing bonds.

## Weather

UK TODAY

SUN and showers. E, NE England, Borders, Edinburgh, Dundee, Aberdeen and Moray Firth areas, NE Scotland, Orkney, Shetland

Early mist, sun, showers, rain later. Max 15C (59F).

Rest of country

Dull, start, then brighter, showers. Max 11C (52F).

Outlook: unsettled.

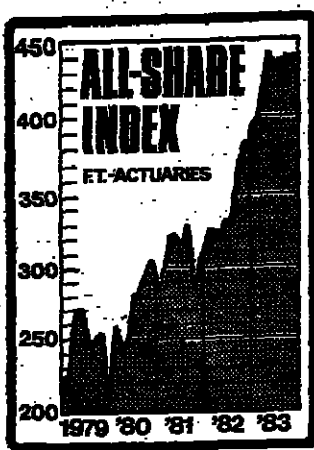
## WORLDWIDE

	Yday	Today	Yday	Today
	m	m	m	m
	°C	°C	°C	°C
Ajaccio	18	16	Luxemb	13
Algiers	18	16	Madrid	13
Amman	12	14	Moscow	18
Antwerp	14	16	Nairobi	18
Bahia	24	26	Paris	18
Batavia	18	16	Seoul	20
Bombay	26	28	Singapore	28
Buenos Aires	18	16	Tokyo	18
Calcutta	26	28	Yokohama	18
Cairo	18	16		
Canton	18	16		
Cebu	26	28		
Colon	26	28		
Dacca	26	28		
Dhaka	26	28		
Edinburgh	12	14		
Geneva	12	14		
Hankow	18	16		
Hong Kong	18	16		
Imbabura	18	16		
Indragiri	18	16		
London	12	14		
Lyons	12	14		
Manila	26	28		
Medan	26	28		
Meikong	26	28		
Moscow	18	16		
Mumbai	26	28		
Nairobi	18	16		
Paris	18	16		
Seoul	20	18		
Singapore	28	26		
Tokyo	18	16		
Yokohama	18	16		

## THE LEX COLUMN

# Make or break for Harrods

Index fell 1.5 to 695.3



Next week's proxy battle between Lorrho and the majority of the House of Fraser board looks at this stage even more finely balanced than their previous encounters. After weeks in which shareholders have been inundated with enough paper to fill Harrods from top to bottom, the issue could still be turned by a single institution.

For the first time in this interminable history, shareholders have also been presented with an important and difficult choice which has been debated at a level above commercial slapstick. Ironically, the risk may now be that discussion of how to depreciate incremental investment at a House of Fraser outlet in Bradford obscures the more fundamental issues.

The commercial merit or demerit of separating Harrods from the rest of House of Fraser is something on which institutions will presumably make their own judgement. It is far from easy to balance the effect on morale within the group and the loss of buying power which would result from a demerger against the additional disciplines on a management which, in the present climate of hostility, would find it hard to run a country milkround properly.

In abstract, the demerger might reasonably be expected to enhance very slightly the aggregate value of the separate companies. But in the present circumstances, that kind of debate misses the point. At present, the House of Fraser share price carries no bid premium because the only people in a position to buy the company are prevented from doing so. More probably, the price contains an element of harassment discount which results from Lorrho's stubborn presence.

On a demerger, both companies would immediately be valued as bid candidates. This would of course increase their paper value to shareholders but anyone who voted for this course should do so on the clear understanding that the days of Harrods or Fraser as independent retailing entities would probably be numbered. It is not, for example, entirely far-fetched to suppose that Lorrho might, in the interests of all shareholders, feel obliged to make an offer for Harrods which could be funded in part by the placement of its Fraser stock with parties interested in acquiring high street assets.

with enough breathing space to develop the trading strategy which now forms the main plank of its defence. Fraser's trading record was extremely undistinguished throughout the 1970s—though no worse than several other department store groups—and its projections of returns on the new capital to be employed will hardly guarantee the shares a place in growth portfolios.

The presence of Harrods in the trading portfolio may be a luxury during a period of transition but it would be unreasonable to expect a demerger merely in order to intensify the heat on Fraser's management. There is quite enough warmth radiating from Cheapside as it is and institutions have not so far been calling for a break-up of Sears Holdings just because Selfridges generates cash and the Lewis's department stores eat it up.

There is clearly a danger that the pressure on the Fraser management and the recognition that the best way out of its predicament is to bump up trading returns at the double will lead it to make hurried decisions. Moreover, in the present climate, it will almost certainly find it hard to attract the top quality retailing expertise in which the group as a whole is still deficient.

It is also a cast-iron certainty that Lorrho would keep its artillery in place while the management work was done. Having no perceptible trading strategy of its own, Lorrho is taking a particular interest in Fraser's. But for investing institutions to be swayed by the external difficulties facing the Fraser management would be to neglect their more general responsibility as shareholders.

On a short-term stock market

## Why it's looking up down under Tyndall Australian Securities Fund

After a momentous few weeks—a period that has seen the uncertainties of a General Election campaign, a landslide win for Labour, and a ten percent devaluation of the Australian dollar—the market is now looking more settled, and extremely promising. Devaluation brings benefits. Australia has vast natural resources, still largely untapped, including coal, nickel, iron ore, uranium and much more. Already, the 10% devaluation of the Australian dollar has removed currency uncertainty and will boost the earnings of mining companies—indeed some will profit handsomely. But, there is still, in Tyndall's opinion, far more to be gained. An undervalued economy. Many of Australia's competitors in metals with higher production costs have been forced to withdraw. Global output has fallen considerably and even a small increase in demand will cause prices to rise. We believe that Australia's share prices, and in particular those of metals, are now considerably undervalued and ripe for rapid capital growth. And, of course, there are the long-term advantages an abundance of natural resources in a world where these are finite—and rapidly diminishing. A portfolio poised to profit. The Tyndall Australian Securities Fund, with the investment expertise of one of the country's leading unit trust groups, offers you the chance to take advantage of

**Tyndall Australian Securities Fund**  
The Tyndall Managers Limited, 18 Canynge Road, Bristol BS9 7UA.  
Please send me full details and application form for the Tyndall Australian Securities Fund. Registered No. 717650 England.  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
Registered office: Tyndall Managers Limited, 18 Canynge Road, Bristol BS9 7UA.  
Member of the Unit Trust Association.

